

Graduate School of Business

**Local Government Accountability – financial, efficiency,
effectiveness and sustainability performance reports:
stakeholder perspectives**

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Doctor of Philosophy
Of
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Declaration

To the best of my knowledge and belief this thesis contains no material previously published by any other person except where due acknowledgment has been made.

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university.

Signature:

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Abstract

The question posed in this study was whether local government is held accountable for their financial management, efficiency, effectiveness and sustainability and if local government reports contribute to this. In this study perceptions of how residents form their views about the performance of their local government were gained by interviewing residents and senior managers. Three local governments differing in the size of the organisation, the demography of the residents, and their urban environment took part in the study. A qualitative methodology within the constructivist paradigm was used with the rigour of the study being judged in terms of its method and analysis, and the findings and recommendations assessed against quality criteria particularly its usefulness in the real world of local government. Using a grounded research approach, the study found that residents' perceptions of local government are highly subjective and influenced by many factors including trust in the local government, personal experience, public perceptions and personal values. Using economics of information theory in which the cost of information is balanced against the benefits of the information, residents' behaviour was classified into four categories: detached, vicarious, specific purpose and engaged. A tentative model of assurance emerged from the findings. The model provides a means of explaining the personal, institutional and exogenous conditions that affect the benefits and cost to residents of performance information. The emergent model was used to understand issues about the accountability of local government, and implications for community engagement, models of management and local government sustainability programmes.

CHAPTER 1 - Introduction

1.1 CHAPTER INTRODUCTION

Local government is said to be the sphere of government closest to the people. In Western Australia local government exists under the authority of the State Government through the powers vested in it by the Local Government Act 1995. The local government is accountable to the State Government but is not subject to the same checks as State Government agencies in relation to efficiency, effectiveness and probity (Public Accounts Committee, 2006). The difference from State Government agencies is that local government councils are democratically elected bodies and are accountable to the electors. However, other than the financial indicators required in annual reports, local governments are not required to provide information by which the public can assess the performance of their local government. The broadening of the accountability focus in local government to include quality of life issues requires non-financial performance information in addition to the financial reports (Carnegie, 2005, p. 84).

In raising concerns about the lack of mechanisms for local government accountability the Public Accounts Committee of the Western Australian Parliament stated that:

Public confidence in public administration can be reduced to three fundamental principles of transparency, accountability and trust. (Public Accounts Committee, 2006, p. 1)

In addition to this notion of accountability are the demand for community participation and a direct involvement by residents in the decisions of local government, and it is argued that this requires new forms of governance and accountability (Cameron, 2004). As will be demonstrated in the literature review in Chapter 2 there is a significant body of literature about the use of performance information and how it may be used to make local governments

accountable. However there has been very little research to understand how residents use performance information about their local government, and how it contributes to local government accountability for performance.

1.2 DEFINITIONS

The study uses a qualitative methodology and the language used in the study avoids the use of definitions, acknowledging that participants in the study would attach their own meaning to words (the language and rhetorical assumptions will be discussed in more detail in Chapter 3). A Grounded Research approach is used that acknowledges the presence of concepts within the field being researched. The key concepts in this study are, accountability, community engagement, and sustainability and they are discussed in light of the literature and the meaning given to them by participants in the study and will not be discussed further here. The participants in the study were not provided with definitions or explanations of the meaning of the concepts. However, if the participant was not able to articulate the common understanding of the term “sustainability” it was explained to them to allow investigation of their beliefs in relation to it (see later discussion of the meaning of sustainability).

A number of terms in common use within the field of management and local government are used in the discussion and are defined below.

1.2.1 Operational Definitions Used In the Discussion

Local Government	A body corporate with perpetual succession and common seal with an elected council that directs and controls the local government affairs and is responsible for the performance of the local government's functions (adapted from the Western Australian Local Government Act 1995).
Community	The entire population of a municipality including those who work in and visit the municipality for recreational or similar reasons
Municipality	A local government area as defined by its boundaries
Stakeholders	A person or organisation to which a local government is accountable, or which is affected by the actions of a local government. Stakeholders in this study include elected council members, employed local government officers, residents, members of community groups, government and non-government organisations, and visitors to the area.
LGMA	Local Government Managers Australia – an organisation representing local government professionals in Australia
Outcome	The effect, impact, result on, or consequence for the community, environment or target clients of local government services
Input	The resources used to provide the services of the local government
Policy	The rules established by a local government that govern its decisions
Performance Indicator	Quantitative and qualitative information for use by those interested in monitoring performance of the function and purpose of the local government
Performance Measure	A direct quantification of output or of some aspect of performance
Effectiveness	The extent to which the intended outcomes of a local government's policies and services are achieved
Efficiency	Ratio of outputs to inputs
Outsourcing	The provision of a service using external contractors
New Public Management	A general term used to describe the public sector reforms that have taken place since the 1980's based on a market orientation to improve efficiency

1.3 BACKGROUND TO LOCAL GOVERNMENT

Local government is the third sphere of government and although arguably closest to the people is not recognised in the Constitution of Australia, but relies on state and territory government legislation for its existence. The responsibilities and functions therefore vary across the country. On the eastern seaboard, for example, local governments have responsibility for services such as water and sewage that in Western Australia are state government responsibilities. All local governments have statutory functions such as planning and building approvals. In Western Australia they have general competency powers that allow them, with limited restrictions, to provide any service they think is necessary for the community. This may include recreation centres, libraries, aged care, and youth facilities. In addition, some local governments provide other unique facilities such as cattle sale yards, airports and in one case a hotel. Local government revenue in Australia is over \$20 billion. There are three principal income sources: taxation (property rates); user charges and grants from the Commonwealth, State and Territory governments. Collectively local governments in Australia manage assets with a net value of over \$180 billion.

1.3.1 Description of Local Government in Western Australia

In 2010 there were 139 local governments in Western Australia. *The Local Government Act 1995* makes provision for declaring an area of the State to become a district, and a local government to be established for the district. The local government is a body corporate with perpetual succession and has the legal capacity of a natural person. The general function of a local government is to provide for the good government of persons in its district and the role of the Council is to :-

- govern the local government's affairs,
- be responsible for the performance of the local government's functions,

- oversee the allocation of the local government's finances and resources; and
- determine the local government's policies.

The general function of a local government includes both legislative and executive functions. The council of a local government is to ensure that there is an appropriate structure for administering the local government and must employ a person as Chief Executive Officer and other persons believed necessary to enable the functions of the council and the local government to be performed.

An amendment to the Act in 2004 added a responsibility for local government to consider sustainability (the concept of sustainability will be discussed later in this chapter).

In carrying out its functions a local government is to use its best endeavours to meet the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity. (1995, Part 1, Section 1.3)

1.4 LOCAL GOVERNMENT PERFORMANCE INFORMATION AND REPORTING

There are considerable differences in local government reporting requirements between Australian State and Territory governments. In Western Australia local governments are required to produce an annual report. They are not required to report on performance other than to provide an overview of the plan for the future of the district and major initiatives that are proposed to commence or continue in the next financial year (note: changes to the *Local Government Act 1995* regulations are being drafted at the time of writing that will require local governments to have integrated strategic and corporate plans).

A study of the information preferences of users of local government annual reports in New South Wales found that respondents rated non-financial information as less important than financial information (Priest, Ng & Dolley, 1999, p. 60). However, the researchers acknowledged the limitations of their study, particularly the sample being based on two municipalities in one city. The slow uptake of non-financial reporting in local government is in contrast to the significant trend in broadened reporting in the private sector (Commission of the European Communities, 2002). Large-scale corporate failures have resulted in a proliferation of national and international codes, guidelines and statements of best practice to improve reporting compliance. As will be discussed later in this paper, there are a number of writers (Drummy, 1991, Edwards & Thomas, 2005, Kloot, 2007, Kluyers, 2003) and guides (Office of Government Management and Review, 1987, Department for Victorian Communities, 2006) promoting the need for local government to improve its use of performance information in order to be more fully accountable to its stakeholders. In the research by (Priest, Ng & Dolley, 1999) prior to these changes, the non-financial information in their study related to measures of service quality and not sustainability and there may be a significant difference in attitudes towards the two.

1.4.1 Frameworks for Performance Reporting and Accountability

A number of approaches to measuring the different aspects of local government performance have been developed in recent years. Three that have gained significant recognition are: -

- The Balanced Scorecard;
- Triple Bottom Line reporting; and
- The Global Reporting Initiative.

The frameworks are not alternatives and integrated models provide options to focus on the most important factors from each to ensure the long-term success of the organisation.

The Balanced Scorecard

Kaplan and Norton (1992, 1993, 1996a, 1996b, 1996c) developed the Balanced Scorecard approach from a study of private for-profit companies as an alternative to financial measures such as profit or sales growth. Financial measures, they argue, only measure how successful a company has been in the past, and do not indicate the degree to which the company has built or maintained a capacity for future success. Financial measures are therefore lag indicators and they argue that what is needed are lead indicators that measure the organisation's capability to achieve future financial success.

The Kaplan and Norton model contains four perspectives, financial, customer, business process, and learning and growth, which their research found contributed to organisational success in private for-profit organisations. Some organisations have found it useful to use more than four perspectives, and the scorecard has been adapted by government and not-for-profit organisations by placing the customer perspective at the highest level, in recognition that their role is to achieve community outcomes (Kaplan & Norton, 1996, p. 180). A study of New Zealand public agencies found similar changes to the perspectives and also found that the scorecard was not viewed as an integral component of the external reporting framework (Griffiths, 2003). The Balanced Scorecard approach is an improvement compared to the use of a singular perspective to measure performance. However, it does not delineate the integration of the various performance factors, and does not provide a clear insight into the relationships between them, and the results cannot be readily applied across organisations (O'Higgins & Weigel, 1999, p. 66).

Triple Bottom Line

Triple bottom line reporting gained public eminence with the publication of John Elkington's book *Cannibals with Forks* (Elkington, 1998). At the same time companies around the world have embraced the concept of Corporate Social Responsibility and stakeholder approaches to management (Commission of the European Communities, 2002, p. 5). The triple bottom line consists of the social, economic and environmental bottom line and

together allows assessment of the organisation's sustainability and its contribution to global sustainability (Elkington, 1998, pp. 70-95). Success is measured over the long-term using broad measures that reflect the organisation's total impact on each of the three bottom line measures. Shareholders, customers and public bodies have demanded to know more about the activities of business and their impact on the triple bottom line, with governance more recently being added as a fourth dimension (Vogl, 2003).

There are critics of this trend, such as the Chamber of Commerce and Industry (WA), who believe that market forces will ensure the long-term well-being of society (Chamber of Commerce and Industry, 2002). However, they have made little apparent impact on the debate on sustainability, particularly in terms of the literature on the subject.

The Global Reporting Initiative

The Global Reporting Initiative (GRI) funded by the Commission of the European Communities has developed a guide to be used by business to assist in achieving effective and consistent reporting on sustainability. The Public Sector Supplement (Global Reporting Initiative, 2005) was released in March 2005 and is to be used in conjunction with the GRI guide by public agencies, including local government.

The GRI performance indicators measure the economic, environmental, and social impact of the local government's activities, for example its use of energy and water. It does not measure the state of its municipality in relation to the sustainability dimensions. The reporting framework requires information about the vision and strategy of the organisation, its governance structure and management systems, in order to provide a balanced and reasonable picture of its performance. The guidelines also seek to promote comparability, support benchmarking and to serve as an instrument to facilitate stakeholder involvement.

Integrated Models

Two important factors for the success of a private or public company are its operational and financial performance. However, other factors have been identified that are equally important to the long-term success of the organisation. From the analysis of twenty-seven international case studies, the International Federation of Accountants (IFA) has proposed a governance model based on a scorecard consisting of strategic position, strategic options, strategic implementation, and strategic risk (Professional Accountants in Business Committee, 2004, p. 6). Carnegie (2005, p. 84) recently questioned the usefulness of current financial reports by local government. As an alternative he proposes that local government should report on the quantity, quality and accessibility of the community services it provides, and the condition of and standard of community assets. Another integrated accountability model is proposed by Busco (2005, p. 3) and like the Carnegie and IFA models, focuses on the internal functions of the organisation consisting of knowledge, compliance and performance.

Local government differs from the private sector and public sector organisations with a unitary purpose in that it is responsible for broad community outcomes. The effectiveness of a local government may be measured in relation to its direct contribution to achieving its desired outcomes. However, it may also be seen to have a role in monitoring outcomes beyond its direct control or influence. Local governments play a key community and economic development role, interacting with business, community and individuals to assist in setting their strategic direction, providing a source of information to gain state and Federal Government assistance, and providing people with information about the health of their community (Laselle, 2003, Brosnan & Cheyne, 2010).

1.5 SUSTAINABILITY

1.5.1 Sustainability – what it means

Sustainability drivers are rooted in the reality of a rapidly growing world population coupled with rising expectations for personal prosperity (Hedstrom, Poltorzycki & Stroh, 1998, p. 7). The *Western Australian Sustainability Bill 2004* addresses the need for accountability, transparency and engagement, stating as a principle, sustainability recognises that:

- people should have access to information on sustainability issues;
 - institutions should have economic, social and environmental accountability;
 - regular sustainability audits of programmes and policies should be conducted; and
 - public engagement lies at the heart of all sustainability principles.
- (Western Australian Sustainability Bill 2004, p. 13)

When talking about community well-being the discussion often overlaps with discussion about sustainability. The concept of sustainability has built up over a number of years, much of it based on the definition in the Brundtland Commission report that served as the foundation of the discussions and negotiation that took place at the Earth Summit held in Rio de Janeiro in 1992. This resulted in the Agenda 21 resolution that focussed action at the local government level.

The concept has been taken up, with slight variations, by many governments and organisations. The term is sometimes used in relation to the capacity of local government to provide an adequate level of service (Western Australian Local Government Association, 2006, Local Government Advisory Board, 2006), but in most circumstances, and for the purpose of this study, it is about the sustainability of the community. The West Australian State Sustainability Strategy, *Focus on the Future*, defines sustainability as:

meeting of the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity (Government of Western Australia, 2003, p. 24)

As with Agenda 21, there has been a growing awareness that sustainability at a global level is grounded in the building of sustainable communities and the need to address environmental and liveability issues as they affect individual people (Portney, 2005). The US 1995 National Science and Technology Strategy, *Bridge to a Sustainable Future*, of President Clinton discussed the role of communities in sustainability saying:

Our nations future strength will in large part be built on the viability of our nation's communities....to achieve sustainability, technological solutions must be integrated with the unique economic, social, political, and cultural circumstances of each community (cited in Portney, 2005, p. 4)

Similar to this are definitions of community strengthening:

Any sustained effort to increase the connectedness, active engagement and partnership among members of the community, community groups and organisations in order to enhance social, economic and environmental objectives. (West, Wiseman & Bertone, 2006)

This study does not differentiate between measures of community well-being and measures of sustainability. It may be that in time, with a clearer understanding of each it may be possible to make a distinction between them, but at this time there is no difference in practical terms.

Other than legislated state government requirements, there are four major factors influencing the level of involvement by local governments in sustainability issues:

- the characteristics of the council;
- community participation;

- support for sustainability within the community;
- the commitment of staff to embrace changes and implement innovative practices. (Bajracharya & Khan, 2004, p. 57),

1.5.2 Sustainability – Its Origin

The book *Our Common Future* launched in 1987 by the Prime Minister of Norway, Gro Harlem Brundtland, is the seminal work that initiated much of the contemporary understanding of sustainability. The United Nation's World Commission on Environment and Development (known as 'the Brundtland Commission') had worked for two years to address the conflict between the environment and development. *Our Common Future* defined sustainable development as:

meeting the needs of the present without compromising the ability of future generations to meet their own needs (Sustainable Seattle, 1998, p. 1)

The Brundtland Commission concluded that development was necessary, but it must be sustainable through simultaneous social, environmental and economic improvement of the human-ecological system (Government of Western Australia, 2003, p. 22).

The United Nations Conference on Environment and Development was held in Rio de Janeiro, Brazil in 1992. A detailed programme of action, Agenda 21, was agreed, and negotiations on an international agreement on climate change, which would lead to the Kyoto Convention, were commenced. The International Council for Local Environmental Initiatives (ICLEI) was formed in 1990 following the inaugural conference of the World Congress of Local Governments for Sustainable Future. There are 470 member cities, towns and counties in dozens of countries around the world and it is well supported in Australia. ICLEI is responsible for driving the Agenda 21 programme within local government, as well as a number of other programmes that target specific environmental issues.

In 2002 the World Summit on Sustainable Development was convened in Johannesburg, South Africa. By this time thousands of local governments and hundreds of non-government organisations were reporting on environmental measures.

As previously discussed, to address the wider agenda of sustainability the Gallop State Government in Western Australian released the State Sustainability Strategy, *Focus on the Future*, in 2003. The State Sustainability Strategy did not apply directly to local government. However, the Local Government Amendment Act 2004 inserted a subsection to the Local Government Act 1995 stating that a local government is to use its best endeavours to meet the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity.

1.5.3 Local Government Sustainability Reporting

The approach of local governments to sustainability issues varies considerably between states and territories in Australia. A number of local governments such as the City of Melbourne in Victoria produce a sustainability report in addition to, or in conjunction with, their annual report. This can be explained, at least in part, by the differences in legislative requirements governing the functions and management of local government (Bajracharya & Khan, 2004, p. 57).

Although state government intervention may be a major impetus to begin measuring and reporting on sustainability, experience of a compliance approach to management indicates that it has limitations in the long-term. For example, the Victoria State Government Best Value Commission, in its 2004 Annual Report, recommends the removal of the legislative requirement for councils to meet the Ministerial Code for Reporting. This was a result of the Commission finding that for many local governments the reporting format did not capture the interest of the community and that the level of reporting

was onerous, repetitive and resource intensive (Best Value Commission 2004)

In an earlier section of this chapter a number of performance frameworks are discussed and it is argued that there is a need to integrate the financial and operational measures of the organisation with sustainability measures. A number of writers have proposed frameworks to do this (Kanji & Sa, 2002, Figg et al., 2002, Quinlivan, 2000). The Kanji Balanced Scorecard builds on that of the Kaplan and Norton Balanced Scorecard discussed earlier, but expands it using a Total Quality Management philosophy to focus on external as well as internal drivers. Figg et al. propose that the three dimensions of sustainability, that is the economic, social and the environment dimensions, can be integrated with that of the Kaplan and Norton Balanced Scorecard and argue that because the social aspects of the triple bottom line depend on the preferences and values of the stakeholders, it is advisable to classify social aspects according to the actors involved (Figg et al., 2002, p. 178). The papers identify the importance of understanding the needs of stakeholders when developing performance measurement frameworks

1.6 ACCOUNTABILITY

For the purpose of this study it is the accountability of local government that is under discussion. In Western Australia, local governments are accountable to the Minister for Local Government and there are a myriad of requirements for reporting to the Department of Local Government including approximately 150 compliance checks in the annual Compliance Audit Return (Public Accounts Committee, 2006, p, 19). The local government is accountable as a body corporate, but there are also requirements within the *Local Government Act 1995* that hold individuals, elected members and officers, accountable. In addition to statutory requirements, elected members are accountable to the electorate through the electoral process (Kluvers, 2003, p. 2). The question posed in this study was whether local government is held accountable for their financial management, efficiency, effectiveness and sustainability and if local government reports contribute to this.

1.7 MOTIVATION AND JUSTIFICATION FOR THE STUDY

The motivation for this research stemmed from the experience of the researcher as a manager in local government. From the late 1980's local governments in WA had introduced the use of performance indicators. While there was a growing body of literature and guides (Office of Government Management and Review, 1987, Drummy, 1991) the use of performance measures had developed relatively slowly (Quinlivan, 1993) and local governments were adopting a variety of approaches such as balanced scorecard, sustainability reporting, and outcomes management. Pressures within local government to develop measures relating to sustainability are being exerted from various directions within the economic, social, and environmental perspectives.

Research indicates that in many cases one report is 'bolted' on to the other with little integration. Sustainability indicators, however, need to link the three dimensions of the triple bottom line (Gillen, 2004, p. 62). Similarly, there was increasing demand for local government to be accountable for its performance in relation to a number of non-financial perspectives including its effectiveness, efficiency, governance, and future success (Carnegie, 2005, Walker, 2002). At the same time there were demands for local government to improve how it involved its community in decision-making.

In the opinion of the researcher the reform agenda lacked a holistic view of how the reforms fitted together. This was compounded by the limited amount of academic research about local government management, particularly in Australia. This view was subsequently supported by the Federal Government in 2009 in their decision to fund the establishment of the Australian Centre of Excellence for Local Government with one of its objectives being to improve the research and development capacity of local government.

At the commencement of the research the following observations appeared to be supported by the literature:

- there has been, and continues to be, pressure for local government to measure and report on a range of performance indicators other than financial performance;
- some local governments are producing sustainability reports in addition to reporting on their financial and operational performance. In Australia this does not appear to be in response to a demand for this information from its stakeholders and may be to meet statutory requirements or a perceived demand from stakeholders;
- where local governments are reporting on sustainability, the focus of the measures may be the impact of their activities (the Global Reporting Initiative approach) and/or the present state of the local government municipality (the Sustainable Seattle approach);
- little, if any, attempt has been made to integrate sustainability reports within the overall performance reporting of local government which may indicate that sustainability is seen as an 'add-on' to normal operations.

If local government is to provide stakeholders with useable information about its performance it is necessary to improve the understanding of how the measures are used, by whom, and for what purpose, and the drivers, enablers, barriers, and obstacles to their use. By exploring the underlying reasons for stakeholder preferences for specific types of information it was hoped that theories and/or models could be developed to assist local government to engage with their stakeholders in an effective and meaningful way.

1.8 THE RESEARCH QUESTION

The title of the thesis is:

Local Government Accountability – financial, efficiency, effectiveness and sustainability performance reports: stakeholder perspectives.

The Research Question

How does information about the performance of a local government contribute to making it accountable to stakeholders for its performance in relation to its efficiency, effectiveness, and sustainability objectives?

To investigate this question the following objectives for the research were adopted to guide the research design:

- Identify the perceptions of local government stakeholders about current performance reporting.
- Identify the purpose of the information stakeholders want about local government performance to determine the gap between what they need and what is provided.
- Identify how sustainability is defined, measured and valued by local government stakeholders.
- Identify the extent of integration of financial, effectiveness, efficiency and sustainability measures.
- Explore whether a convincing model of stakeholder preferences emerges from the data about current perceptions and emerging future trends.

1.9 LIMITATIONS AND SCOPE OF THE RESEARCH

The research question addressed an area in which there is limited academic research, particularly in relation to local government. The objectives of the research were set broad enough to allow the emerging findings to direct the research and not be confined within a narrow research focus. The initial

findings directed the research to studying how the *residents* of a local government use performance information. However, there are many other stakeholders relevant to the study of accountability and the use of performance information in local government, including the State government and local government elected members.

The three local governments included in the study differed in the size of the administration, the geographical size and the demographics of their constituents. Although providing different perspectives on the phenomena being studied they do not reflect the diversity of local governments in Western Australia, or in other states of Australia and other countries which would differ in their responsibilities and on a number of exogenous variables including legal, political and cultural differences.

It will be argued that all of these variables will affect how residents use local government performance information. However, this study does not purport to provide a theory or model to explain the variables, but does provide an emerging model that provides a framework through which the variables can be considered in a particular local government.

Local Government in Western Australia is currently limited in its ability to establish autonomous bodies to deliver services. The discussion and the findings are therefore limited to accountability in relation to the present structure and largely leaves out the significant research and discussion in relation to *outsourcing* and New Public Management and its implications for accountability (Kluvers, 2003), proposing that this is an area for further research.

1.10 METHODS

A qualitative methodology within a constructivist paradigm was used because of the formative and inductive nature of the study, with the objective of building rather than testing theory (Eisenhardt, 1989, p. 536). A modified Grounded Research approach was used (Whiteley, 2004) based on the

constant comparative method (Glaser & Strauss, 1967). Open coding was used and as coding categories and themes emerged to form theoretical models to explain the when, why and under what conditions the themes occurred (Ryan & Bernard, 2000, p. 783) an emergent model was formed (Whitely, 2002, Glaser & Strauss, 1967).

1.11 ETHICAL ISSUES

Ethical issues exist in relation to both the individual and the organisation. The individual may have held views different to that of his or her colleagues or that of the organisation they belong to. They may also have provided information and insights into the organisation that are critical or contradictory to that provided by other people within the organisation. The research may have found information about an organisation it does not wish to make public and local governments are unlikely to want comparisons being made between them. The participation of humans in the study required the approval of the Curtin University Human Research Ethics Committee prior to commencement of the research and ethical considerations were based on principles proposed by AARE/AVCC/NHMRC. The welfare of the research participants took precedence over the interests of the researcher. In conducting the research, care was taken to ensure participants were well informed, had given their permission, and were confident that their privacy and confidentiality would be maintained.

The documents used when seeking the participation of local governments and individuals are contained in the appendices consisting of the following:

Appendix 1 - letter of approach to interviewees

Appendix 2 - information sheet for interviewees

Appendix 3 - consent form for interviewees

Appendix 4 - letter to focus group participants

Appendix 5 - information sheet for focus group participants

Appendix 6 - consent form for focus group participants

All participants were given a code name known only to the researcher that was used in the transcription, all other documents and databases. The local governments were also given a code name and references to places or people that could identify the local government were avoided or changed if they needed to be referenced when writing the study.

1.12 OUTLINE OF THE THESIS

- Chapter 1 - Provides the background and an introduction to the study including information about the local government sector, the use of performance information, the origin of sustainability as a concept and a description of the research question.

- Chapter 2 - Contains the literature review including initial literature search and further readings undertaken during the study. Topics include performance management, accountability, governance, the economics of information and personal and organisational values

- Chapter 3 - A discussion of the research approach, methodological issues and the grounded research method used in this study, followed by a description of data gathering and analysis using Nvivo software.

- Chapter 4 - Presents the results describing the six categories of information found in this study.

- Chapter 5 - Discusses the findings in relation to the literature and the objectives of the study. The emergence of a theory based on the benefits and cost of performance information leading to a tentative model of accountability.

- Chapter 6 - A discussion of the implications of the tentative model of accountability for local government in relation to community engagement, the measurement of outcomes, accountability and

sustainability. It is recommended that action research be used to test the usefulness of the tentative model in programmes to improve local government accountability.

CHAPTER 2 – LITERATURE REVIEW

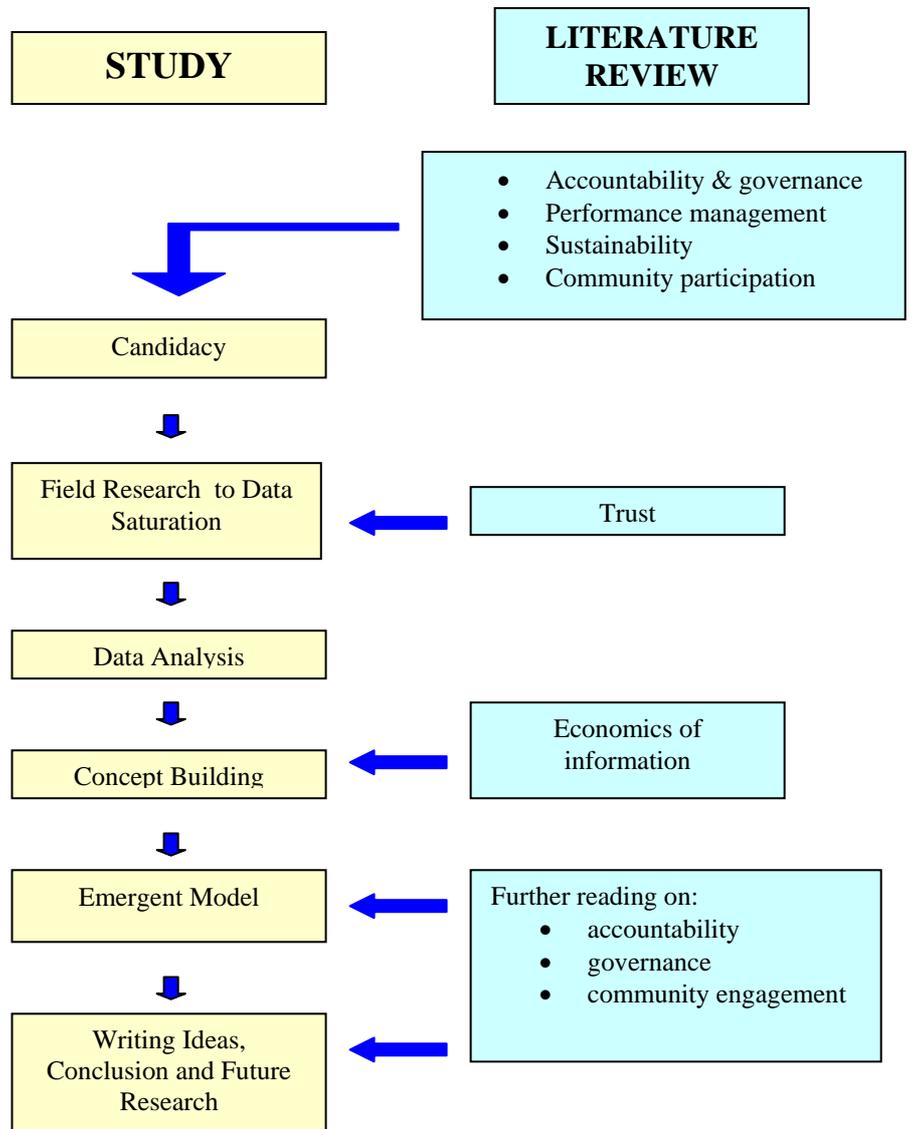
2.1 CHAPTER INTRODUCTION

Chapter 1 discussed the broad responsibilities that local government has for the provision of services to its community and noted that they have adopted a range of approaches to measure, monitor and report on their performance. This chapter will discuss the evolution of performance indicators used by local government, from simple financial and workload indicators to measures of complex outcomes in the community. This is linked to changes in what local governments are held accountable for progressing from being able to demonstrate financial accountability, to efficiency and more recently, the achievement of community outcomes and public value.

The discussion will then focus on the role of information in accountability and again how notions of this have changed, from the reporting of performance information to processes that involve people in deciding on what is important, how it is to be measured, and the issues arising from involving them in the process of evaluation. The discussion then moves back to the implications of this for accountability processes and the factors involved in decisions about the performance of local government, including the role of values in choosing what is important and how trust may affect accountability.

The literature review chapter includes the reading undertaken before, during and following data collection. The grounded research method used in this study is an iterative process using the constant comparative method. The early findings directed further reading, and as analysis progressed further literature was drawn upon to develop understandings of the emerging concepts. Figure 1 indicates the progression of reading on the subject areas as the study was conducted (see Figure 2 in Chapter 3 for how this integrated with the Research Design Framework).

Fig 1 Progression of Literature Review



2.2 PERFORMANCE INDICATORS

Performance indicators are commonly classified into three groups (Office of Government Management and Review, 1987, p. 261):

- Workload indicators – output orientated, and measure the amount of work done.
- Efficiency indicators – compare resource inputs against resulting outputs.
- Effectiveness indicators – measure the extent to which programmes achieve their objectives.

Workload and efficiency indicators are used to manage the processes used to deliver local government services and have been found to be the main types of indicators used (Quinlivan, 1993). The types of indicators used by the local governments involved in this study will be reported on and discussed in the results chapter of this thesis. In addition to the above classification, performance indicators may also be classified as measuring *outputs* or *outcomes*. Flynn (1986) describes outputs as the service provided to clients or activities performed, and the outcomes of the service are the impacts which the service may have on the recipients.

The distinction between outputs and outcomes is of importance when discussing effectiveness. If goals are set in terms of outputs, it has implications for accountability as it will be possible for the local government to be effective in achieving its outputs, but not achieve the community outcomes it intends to (Sanderson, 1998, p. 11). For example, many local governments have established a security service. The output is the security service, but if the objective for the community is to lower the crime rate this will not necessarily be achieved.

The terms *performance measurement* and *performance indicators* are often used interchangeably, but for the purpose of this study it is useful to discuss the difference between the two terms. Peter Drummy (1991, p. 28)

describes performance measurement as being:

a general term that covers any systematic attempt to determine how responsive services are to the needs of the community

A similar definition was used in a guide developed by the Office of Local Government that also defined performance indicators as being:

quantitative or qualitative information for use by those interested in monitoring performance of the function and purpose of the council
(Office of Local Government, 1990, p. 5).

When discussing the reporting of performance this is an important distinction. Reports that provide lists of performance indicators, regardless of how comprehensive they may be, are not necessarily providing information relevant to the performance being measured. As a result it can lead to distortions, particularly if they are the primary basis for a decision rather than as an aid to judgement (Keating, 1990, p 393). As can be seen from the definition provided by Drummy, performance measurement requires an understanding of the community need being measured and the standard of service required.

Performance measures may be global indicators measuring broad outcomes over relatively lengthy time periods, or more specific ones to measure service and operational factors (Rogers, 1990, p. 56). A number of guides have been produced to assist local governments develop performance indicators (Office of Local Government, 1990, Municipal Association of Victoria, 1993), generally focussing on workload, efficiency and effectiveness indicators.

The guides referred to above, and the majority of the literature about performance indicators, was focussed on how managers in local government could use them to improve performance. In the 1990's this began to change, beginning with a greater focus on outcomes and effectiveness as opposed to efficiency.

Discussing the use of performance indicators in the United Kingdom, Carter (1991) describes the progression from a focus on inputs to one on outputs during the 1980's. After investigating the evolution in the use of performance indicators in a number of private and public organisations he concludes that how organisations go about assessing their performance is complex and that in the public sector it is organizational characteristics that shape their development and use. He discusses the difficulty of measuring outcomes and consumer satisfaction, concluding that both are possible, but often organisational politics restricts their development and use. The question for the 1990's, he says, is will Performance Information systems become recognized as instruments of democratic accountability, and if they do they inevitably will be adapted to respond to different sets of interests and values. From the discussion to follow it will be seen that this is what has happened, leading not only to new forms of performance measurement, but also a philosophical shift in how performance information is reported and used, and in our understanding of how people assess the performance of their local government.

Three principal uses for performance measures by local governments identified by Burningham (1992, p. 87) are:

- accountability – for reporting to people or organisations the local government is accountable to;
- control – to monitor performance and for managers to take corrective action if necessary; and
- development – to understand the service delivery process and improve performance.

These broad categories are useful in understanding the use of performance indicators, but the type of indicator and how it is used also varies depending on what the organisation is to be held accountable for, what constitutes good performance and what aspects of the delivery process are to be improved (Carter, 1991, p. 90).

This study seeks to understand if there is a demand for local governments to be held accountable for their financial performance, efficiency, effectiveness and sustainability. This raises the possibility that the same measure may be of relevance for two or more of the purposes identified by Burningham. For example, a control measure measuring the efficiency of a service process may be used by the manager to control the process as well as report on performance against that measure if the local government is being held accountable for the efficiency of that service. The three uses for performance measures are associated with the management of local government services. There are also non-management uses for performance information. Commenting on the changing role of local government from being just a provider of services to lobbyist, promoter, coordinator, and managing agent, Burningham had this to say about the use of performance indicators:

...performance measurement can assist in the process of change by helping the authority to 'identify and articulate the collective needs and aspirations of its own community' (Burningham, 1992, p. 97)

Performance indicators can also open up areas for debate by policy actors, highlight concerns, be used when prioritising areas for action and signal matters for further investigation (Tilburry, 2006, p. 49). The use of objective information can be a key to going beyond debates based on subjective or emotional perceptions and reduce conflict (Peris, Acebillo-Baqué & Calabuig, 2011).

This use of performance indicators is of particular importance when local governments are working with other levels of government and other stakeholders to achieve goals, or seeking grants and other assistance. However, there are limitations resulting from the difficulty of comparing performance measures between organisations without detailed local knowledge of the environment in which they are operating (Monro, 2003).

2.3 ACCOUNTABILITY AND GOVERNANCE

As described in Chapter 1, local governments in Western Australia are required to provide for the good government of persons in their district. However, the concept of government has changed over the last two decades and accountability is difficult to define in the public sector (Kloot & Martin, 2001, p. 38). The notion of government *for* the people, in which decisions are made by an elected body representing the interests of the electorate, is changing to one that recognises there are multiple actors. Memon and Thomas (2006), in discussing the *New Zealand Local Government Act 2002*, argue that it could signify a shift from *government* to *governance*. Discussing the meaning of governance they say that it has multiple meanings in the literature; these cluster around a search for effective regulation and accountability. They propose that governance may be defined as the formal and informal ways in which individual citizens and institutions, in both the public and private sectors, collectively manage their common affairs. It is a relational concept emphasising the nature of interactions between the government and social actors and among the social actors themselves (Memon & Thomas, 2006, p. 136). Bevir and Rhodes (2006) take this further and question the value of attempts to define governance, arguing that contemporary governance cannot be adequately explained by reference to allegedly objective social processes or essential properties, and that its meaning derives from the ways in which the term is used in actual cases.

Considering the governance role of local government in Australia, a joint publication by CPA Australia and Local Government Managers Australia (LGMA) describes governance as being:

the process by which decisions are taken and implemented; the process by which organisations go about achieving their goals and producing their outputs and the process by which organisations are directed, controlled and held to account. It encompasses authority, accountability, stewardship, leadership, values and culture within the organisation (CPA Australia, 2005, p. 4)

While there are multiple descriptions of governance, accountability is a common component. The concept of accountability, like that of governance, is evolving and includes multiple perspectives (Peris, Acebillo-Baqué & Calabuig, 2011, p. 85) including compliance, performance and knowledge (Busco et al., 2005). Wayne Cameron, quoting from P. Barberis, explains the notion of accountability as having the following components:

- Giving an explanation to stakeholders;
- Providing further information where required;
- Reviewing, and if necessary revising, systems or practices to meet the expectation of stakeholders; and
- Granting redress or imposing sanction (Cameron, 2004)

Accountability relationships occur in every sector, however in local government, as with other levels of government, accountability also involves accountability to the electorate (Kluvers, 2003, p. 2). The guide by CPA Australia and the LGMA describes accountability as meaning *holding the councillors and management of a local government responsible for its performance* (CPA Australia, 2005, p. 21). The guide goes on to say that accountability is not achieved purely through the electoral process, but that local governments must have systems that provide disclosure and review of decision-making and processes. This, it is argued by a number of writers on the subject, requires local government to report on its performance against performance indicators measuring key components of its performance that can be readily understood by the public (Gowland & Aiken, 2005, p. 99, Keating, 1990, p. 396).

Sarker and Hassan (2010, p. 3) place the different elements of accountability within a framework consisting of horizontal and vertical mechanisms for accountability. Horizontal mechanisms are internal to the state. These include:

- political (legislature)
- fiscal (auditing)

- administrative (public service rules and regulations and supervision).
- legal (anti-corruption agencies, ombudsman, judiciary)

Vertical mechanisms are external to the government. The most prominent vertical mechanism is an election through which citizens can replace the government if they are not happy with their performance. They also include Social Accountability mechanisms in which citizens and their organisations can exert direct and indirect pressures on government and government officials to account for their performance including advocacy campaigns, the media, investigative journalism, protests and law suits (Sarker & Hassan, 2010, p. 4).

2.3.1 Accountability – using financial, efficiency, effectiveness and sustainability indicators

For the purpose of this study it is the accountability of local government that is under discussion. In Western Australia, local governments are accountable to the Minister for Local Government and there is a myriad of reporting requirements to the Department of Local Government including approximately 150 compliance checks in the annual Compliance Audit Return (Public Accounts Committee, 2006, p. 19). The local government is accountable as a body corporate, but there are also requirements that hold individuals, elected members and officers, accountable. In addition to statutory requirements, elected members are accountable to the electorate through the electoral process. The question posed in this study is how are local governments in Western Australia held accountable for their financial management, efficiency, effectiveness and sustainability, and how information about the performance of local government contributes to the accountability process.

Since the early 1990's, local governments in Australia have been subject to competition policy at the national level and to various reform processes of their respective State Governments to make their services cost competitive.

In considering the increased focus on results and performance measures, it may be expected that this would be strongest in public agencies that have been privatised. However, a study by Gowland and Aiken (2005) cast some doubt on in their study of government organizations privatised between 1990 and 1998 finding that there has been little change in their management arrangements. Similarly a survey of executives in Australian organisations privatized between 1990 and 1998 indicated that overall there was no evidence to suggest significant change in financial accountability factors and it concluded:

that market forces and private sector financial management criteria are not significantly different to those of Treasury edicts under government policy for the delivery of services to the public (Mitchell, 1990)

It therefore may be the case that local governments, as with other public agencies, will only use performance measures to meet the accountability requirements imposed on them or which they think they should have to be 'politically correct' (Kluvers, 2001, p. 40) . The question then is should they be accountable for aspects of their performance for which they have a direct control, such as their efficiency, or for broader outcomes and their effectiveness in achieving them. In a cross-national comparison examining the targeting efficiency of social security programmes it was found that there was a possible trade off between programme efficiency and programme effectiveness (Mitchell, 1990, p. 15). The study also found that there were differences in the objectives of the programmes with some having efficiency objectives as secondary objectives, and in some cases the primary objective may have required "inefficiency" for the programme to be effective (Thurley, 2003). A compliance requirement to report on efficiency could therefore be detrimental to the effectiveness of a particular local government. The view that efficiency is not the primary objective has gained ground in recent years. In local government during the past decade there has been a move to an output/outcomes framework for budgeting, managing resources and measuring performance in Australia, and many other countries including the

United Kingdom, Canada and New Zealand (Baehler, 2003, p. 23, Mayne, 1999, p. 1).

The reforms in New Zealand government provide an example of the changes that have taken place in many countries and jurisdictions. The reforms of the 1980's sought to provide greater control to department heads over their internal operations, and in return they were to generate greater productivity and improve performance. However, the emphasis on operational matters made managers accountable for delivering predefined sets of goods and services but did not require them to scrutinise their appropriateness. In other words they focussed on efficiency to the possible detriment of effectiveness (Baehler, 2003, p. 24) In 2001 a new reporting mechanism was introduced, known as a Statement of Intent, through which departments would, among other things, explain the links between outputs and outcomes. The new arrangements added a new layer of accountability, requiring the agencies to "manage for outcomes" which, according to Baehler (2003, p. 24), emphasized direction more than procedures and sought to judge the overall *thrust* of the organisation.

The *New Zealand Local Government Act 2002* requires local governments to identify community outcomes, and a number of state governments in Australia have introduced similar requirements (Australian Government, 2006). In 2006 the Commonwealth Government and the governments of all states and territories in Australia signed an agreement establishing principles to guide inter-governmental relations on local government matters. One of the objectives of the agreement is to promote a more effective and efficient government and that requires that agreements should have agreed outcome measures and that priority should be given to demonstrating commitment to achieving outcomes, rather than having an input focus (Kloot, 2001, p. 22).

In *Western Australia, the Local Government Act 1995* gave local government general competency powers. Although not stated as clearly as for Local Governments in other States and countries, local governments in Western Australia are required under the Act to focus on outcomes. An examination

of the content of local government strategic plans in the state of Victoria found they focus on the social, economic and environmental needs of their communities (Langworthy, 2006, p. 2) and, as with other organisations, governance is also a growing area of concern. This reflects a worldwide trend toward local measurements of economic, social and environmental sustainability in cities and regions (Thurley, 2003). If local governments are to monitor their performance, they will need to have outcome measures relating to the social, economic, environmental, and governance objectives of their strategic plan. The focus on outcomes requires a new approach to developing and using performance information as at the outcome level responsibility is shared not only within an organisation, but with other organisations and the community to which it relates to (Australian and New Zealand Health Policy, 2006). Having shared outcomes, it is argued by Thurley (2003), should not result in blurred accountability. It is necessary to clearly define who is responsible for what, and the outputs the agency will contribute to achieve the shared outcome. Performance indicators relating to targets should be set and reported against, but not set in stone and should be reviewed periodically. Common notions of performance measurement in which measures are clear, understandable, timely, reliable and economical cannot be achieved if the phenomenon being measured does not meet these criteria. However, the difficulty of measurement does not mean that there should not be an assessment of performance, and alternative forms of assessment are possible using techniques such as observation, and stakeholder input to gain multiple perspectives on the phenomenon (Waldersee, 1999, p. 38)

The importance of assessing the outcomes an organisation is responsible for was investigated by Carnegie (2005) in a study of the usefulness of indicators of social capital in an area classified as being disadvantaged. The overall health of the disadvantaged area was assessed using a wide variety of social capital variables such as community participation, social networks, trust, and social norms. The finding was that most of the variables of social capital that were measured were not correlated with health as may have been expected. The variables that predicted poorer health status were age,

lower income, low sport participation, not-seeking help from neighbours and non-attendance at public meetings. What the study pointed to was that the concept of social capital is not well understood and that, when choosing measures, it is necessary to understand the impact of what is being measured on individuals and the community.

Similarly, questions have been raised about the financial reports of local government. As discussed in Chapter 1, local governments in Western Australia are only required to report on their financial performance. All local governments in Australia use AAS 27 accounting standards that require the use of accrual accounting and the placing of a financial value on community assets. The relevance of this has been challenged on the basis that the system is based on the accounting processes of private for profit organisations and distorts decision making in local government (Kloot, 2007, Carnegie, 2005). The activities of local government are not directed at making a profit, and the value of an asset is not its financial value, but the value placed on it by the community. As a result Carnegie argues that current financial reporting is meaningless and a more functional approach is needed that does more than put a monetary value on community assets. He proposes using the constructs offered by Laundry (1994) of *viability*, defined as a state of being, the result of a series of processes, and *vitality*, defined as the process or means of achieving viability, as key determinants of effective organizational control systems and reporting mechanisms in which:

a comprehensive and integrated set of factual, reliable and interpretable financial and non-financial indicators would be developed for the wider purpose of assessing the “viability” and “vitality” of local governments as known today. (Carnegie, 2005, p. 84)

Mitchell (1990), in studying the targeting efficiency of social security programmes, found that the system in Australia was efficient but did not rate highly in its effectiveness, raising the question of a possible trade-off between efficiency and effectiveness. To measure effectiveness it is necessary for local governments to have measures to monitor their performance in relation

to the outcomes identified in their strategic plan. A study of the use of performance indicators by local governments in Western Australia in the early 1990's found that there was very limited use of indicators of effectiveness (Quinlivan, 1993). A more recent study of Western Australian local government community development programmes and indicators found that while strategic plans and other business planning documents contain statements about issues of importance to community goals, there is not always a clear link between goals and indicators (Kloot, 2001). What the study found was that the indicators tend to be key performance indicators for separate service areas, or they evaluate processes for specific projects or activities rather than indicators of how well the whole system is operating. If local government is to be accountable for its performance it is necessary to have performance indicators to determine if the objectives important to the community have been achieved (Kluvers, 2003, p. 58). A study of program budgeting and accountability of local governments in Victoria found that in many cases the performance indicators were inaccurate or not valid measures (Kluvers, 2001, p. 40). A study of corporate plans in Victorian local governments found that a lack of performance targets reduced the usefulness of the plans for accountability purposes (Kloot, 2001). The principal reason for reporting on KPI's in local government has been for compliance rather than a genuine attempt to report on performance, hence their orientation to efficiency rather than effectiveness (Cameron, 2004, Kloot, 2001).

Cameron (2004), who was the Auditor-General in the state of Victoria, noted the changes taking place in the way government is conducted and the services provided, and the tension this may cause between representative democracy and participatory democracy. The changes include the impact of the universal availability of information in the public arena, the focus on accountability for results, and the ethical framework of the public service. He argues that the traditional model of accountability does not envisage a sharing of responsibility and yet increasingly, as discussed in the previous section in relation to the use of performance indicators, accountability is shared with stakeholders.

While local government may accept responsibility for achieving outcomes in the community, and have performance indicators for them that they include in reports, there is still the question of whether the indicators contribute to holding them accountable for their performance and the difficulty of knowing if the action taken has contributed to the community outcome (Memon & Thomas, 2006, p. 141, Mayne, 1999, p. 5). It has been argued by several writers that it is necessary to measure performance at different levels, and to understand the linkage between them to understand the contribution the organisation is making to the outcome (Mayne, 1999, O'Higgins & Weigel, 1999). However, there remains the difficulty of measuring complex outcomes, deciding if they have improved, and assessing how the actions of a local government have contributed to them.

Smith (2004), citing the work of Mark Moore and others, discusses the notion of public value. Public value not only requires a focus on outcomes, it requires a process of engagement with the public as value is defined and redefined through social and political interaction. He argues that:

public officials must engage political authority, collaborate with each other within and across institutional boundaries, manage efficiently and effectively, engage with communities and users of services and reflectively develop their own sense of vocation and public duty (Smith, 2004, p. 69)

Smith's notion of public value challenges traditional forms of accountability in which public organisations are given set goals and held accountable for delivering them. The creation of public value, it is argued, requires collaboration between elected members, the administration and the public, and a different form of accountability is required (Sanderson, 1998, Smith, 2004).

Before discussing this further it is instructive to investigate sustainability reporting in local government. The focus on the measurement of outcomes

coincided with the emergence of sustainability reporting, with both requiring similar measures. It will be seen that, similar to the argument put forward by Smith, the discussion has moved from the need for simply measuring and reporting, to processes that involve the community and include them in deciding the measures to be used, interpreting the data, and deciding the actions to be taken as a result of the findings.

2.4 LOCAL GOVERNMENT SUSTAINABILITY AND COMMUNITY WELL BEING REPORTS

As discussed in chapter 1 there are a number of external and internal pressures for local government to develop and report on outcomes. There are different requirements in each of the States and Territories in Australia including State of the Environment and Best Value reports, or requirements to report against the objectives of the strategic plan. Many local governments are involved in environmental programmes, particularly the ICLEI – Local Government for Sustainability programmes and the Agenda 21 programme. Research indicates that in many, if not most, cases the various reporting instruments are “bolted” together with little integration (Hasen, Roebuck & Simnet, 2003).

The performance reports required of local government have changed from purely financial reports based on accounting standards to reports including measures of community well-being and sustainability. It is questionable how well understood the differences between them are, particularly in respect to reporting on easily quantified measures of performance as opposed to qualitative measures of complex outcomes. The difficulty of measuring outcomes and the effectiveness of local governments has been discussed earlier. Reports of community well-being and sustainability use more qualitative measures than the largely quantitative and objective measures that are used in financial reports or reports about the efficiency of services. An investigation of alternative formats of reports conducted with shareholders in the private sector found that the report format was important in conveying whether the report was one of high assurance or medium assurance (Gillen,

2004, p. 66). The level of assurance provided by local government reports is of importance when considering how local government stakeholders use them, and how they may use the information to form their opinions. Descriptive qualitative reports may not provide the same level of assurance as reports that appear to provide the objective facts.

Gillen (2004, p. 66) identifies two approaches to measuring performance in relation to sustainability. One is a context-based approach that builds on local knowledge and may be linked to specific improvement goals. The second is the “expert based” approach that provides the means to monitor initiatives and to compare indicators across local government. The latter approach fits with the compliance approach prevalent in local government in Australia. However, its effectiveness as a means to make local government accountable may depend on a number of factors in addition to the level of assurance.

Over the last decade at least 42 U.S. cities have elected to pursue sustainable cities programmes to improve their livability. Some programmes are broad, involving smart growth efforts, and others are narrowly targeted, including bicycle ridership and pesticide-reduction programmes. A recurring theme in these cities is the role of public participation in shaping and implementing these programmes. In cities where the sustainable cities idea first emerged in local grassroots organizations, such as Seattle, the programmes owe their existence to public involvement. Other cities have taken a top-down approach, treating sustainability as a matter for experts rather than ordinary citizens (VicHealth 2006).

The Victorian Community Indicators Project (VCIP) aims to provide an agreed framework and process for the development and use of community well-being indicators at the local government level across Victoria. The indicator framework identified an initial suite of core indicators. However, they also identified the need to develop the capacity to collect and disseminate data on additional indicators relevant to particular local governments, to allow them to track progress in relation to issues of

importance to them. In addition, there is a strong emphasis on being able to collect data on key population groups by gender, age, ethnicity and other demographic or social variables.

The VCIP is part of the government of Victoria's approach to community strengthening. This began with a pilot project in 1999 followed by Growing Victoria Together in 2000; it developed through a series of community strengthening programmes in subsequent years. Local community indicators of well-being are seen as being:

- 1) **A democratic tool** for engaging citizens and communities in informed discussions about shared goals and priorities.
- 2) **A policy tool**, guiding evidence-based planning and action to address the issues identified as important by communities.
- 3) **A reporting tool**, tracking and communicating progress towards goals and outcomes (West, Wiseman & Bertone, 2006)

A research project conducted in 2004 (West, Wiseman & Bertone, 2006) studied the VCIP and investigated the key elements required for successful community strengthening. It concluded that:

Policies, practices and resources required are those that enable increased participation, ownership, leadership, control and power by the communities concerned. In contrast with the view that community strengthening isn't 'rocket science', the research findings suggest that great skill is required for a community-centred approach. The challenge is to ensure that a mainstreamed approach is built on a community-centred approach rather than the more 'top down' approach that governments are renowned for. (West, Wiseman & Bertone, 2006, p. 38)

A similar conclusion was drawn in a study by the Center for Regional Development at Swinburne University (Langworthy, 2006). This started as a short-term project to develop indicators of community sustainability with three

local governments in the Outer Eastern Melbourne area. The indicators were developed using focus groups, surveys, interviews and discussions with stakeholders. The project was extended to three years, at which time they acknowledged that to achieve real impact and to engage the community, there was still a long way to go.

One of the concluding remarks following the project was that:

It is clear that, difficult as the process may be and as inclusive as the process may be, deciding upon a suite of indicators and providing the data is not enough on its own...(Langworthy, 2006, p.14)

Langworthy (2006, p. 15) goes on to caution that when undertaking a community based approach of this type, consideration must be given to the extensive resources required to support the community groups and to put into action the decisions they make.

Consistent with the growing body of literature on 'new governance', performance information can assist in involving and empowering the community. Salaman (2002) describes new governance as a collaborative exercise that engages a range of policy networks that reshapes the way government works, and steers administration from hierarchy towards empowerment. There is the possibility of using performance measures to inform the community, improve their understanding of key issues, and to involve them in deciding what are the priorities for the local government to focus on. Further to this is the possibility to empower them to take action themselves, as individuals, or in community based actions (Sustainable Seattle, 1998). This approach could provide an alternative means to using performance indicators to make local government accountable for their performance at the outcome level. The possibilities for this can be considered by looking at some long-standing examples of community centred approaches to the use of sustainability indicators.

Sustainable Seattle is a community organisation established as a result of concern about sustainability issues. Sustainable Seattle is a volunteer citizen's network formed in 1991 to define and research indicators of a sustainable community to measure the region's real progress. The 1998 report of Sustainable Seattle identified six potential uses for the indicators:

- local media;
- public policy;
- business and economic development;
- education;
- civic society; and
- personal life.

In 2004 Sustainable Seattle decided on a programme to review their approach following concern about the success of the indicators as a tool for social change. Their objective was to generate enthusiasm for using the indicators and engaging citizens and organisations in implementing action plans

Sustainable Seattle seeks to provide the resources and information to be a catalyst for initiatives for urban sustainability. They work with individuals, community groups, government agencies, businesses and other non-profit organisations to research issues, collect and analyse data to develop solutions, and take action directed at specific issues identified by the community as a problem. Their operating model has seven interconnected stages:

- engage citizens;
- identify needs and priorities;
- promote dialogue;
- observe conditions;
- track conditions;
- support action and change; and
- have a positive impact on quality of life.

(Sustainable Seattle, 2006)

The Seattle programme involves people in addressing specific and separate issues. A similar programme is used in Spartanburg in the US state of Carolina. However, it uses a more integrated approach.

The Spartanburg County Foundation and United Way of Piedmont publish a set of community indicators, the most recent of which (at the time of writing) is Strategic Spartanburg: Community Indicators VI (Spartanburg County Foundation & Piedmont, 2008). The indicators project brought public, private and non-profit organisations together to establish ten community-wide goals to benchmark Spartanburg's progress and to collaborate and focus resources against community needs.

Following the publishing of the indicators a community plan was developed. The 2006-2010 Community Improvement Plan uses the data to influence the improvement of Spartanburg and the quality of life for its citizens. It is a citizen driven process with a management structure consisting of:

Community Indicators Oversight Cabinet

The cabinet consists of the key stakeholders and manages the community planning process to produce the Community Improvement Plan.

Community Indicators Impact Council

This consists of 30 community leaders. The Cabinet identified and established ten Community Indicator Taskforces.

Community Indicator Taskforces

The taskforces developed strategies and action plans for the ten community goals (Spartanburg County Foundation & Piedmont, 2008)

Clemson University's Applied Economics and Statistics division provides additional data and information, and academic support. For each area there are a number of goals for which they have identified a set of indicators. The

indicators assist in identifying the key issues, or pressure points, and are used to monitor progress in achieving the goals.

There are numerous other examples of community centred programmes. However, since there has been little research about their effectiveness it comes with a cautionary note. Langworthy (2006 . p, 14), commenting on the project involving the Outer Eastern Melbourne local governments, says that the connection between the existence of community statistic, informed decision making, and empowering change is still not demonstrated and asks the question:

Could it be that indicators, like many government sponsored community capacity building programmes, support only those in the community that are already empowered? (Langworthy, 2006, p. 14)

A more recent study of the use of indicators by the community used the Community Indicators Victoria Framework as a template to study the usefulness of sustainability and social indicators (Beilin & Hunter, 2011). The study found that indicators are more successful if derived in consultation with the communities who will use them and learn from them (Beilin & Hunter, 2011, p. 526). They also found that the value and meaning of the indicators depended on the contextual setting, and ancillary factors, such as public transport, access, and location, affect the engagement of the community.

The implication for this study is whether improving access to performance information will encourage local governments and the communities they serve to be more involved in sustainability or if there are other drivers, independent of the availability and ease of access to the information.

2.5 INSTITUTIONAL AND EXOGENOUS DRIVERS OF SUSTAINABILITY

Nelson (1998 cited in Zairi & Peters, 2002, p. 175) identifies four characteristics of firms leading in societal value adding. They rely on:

- value-based transformational leadership;

- cross-boundary learning;
- stakeholder linkages; and
- performance levers.

The performance levers referred to use a wide range of financial and non-financial performance measures, supported by auditing, verification, and reporting and recognition systems. The other characteristics are intrinsic to the organisation and the stakeholders themselves. This study was of private sector organisations. Support for Nelson's argument that organisational characteristics also apply in non-profit organisations is supported by a study of local governments in New South Wales and Queensland (Bajracharya & Khan, 2004). The study investigated the factors that influenced the way different councils adopted the Local Agenda 21 (LA21) programme. The programme, under the 1992 Earth Summit Charter, required local governments to prepare action plans to address environmental issues at the local level. The study found that five factors appeared to influence the extent of adoption of LA21 and sustainable development principles in local councils consisting of:

- the characteristics of the councils and their location in the larger metropolitan region;
- the planning system and state government's role;
- governance and consultation mechanisms;
- community support for sustainability; and
- commitment through innovative policies, programmes, projects and action plans.

The study identified the factors that influenced the adoption of LA21 principles. However, cause and effect relationships between the factors require further explanation. Later in this chapter the role of values as a factor in understanding the involvement of people in sustainability issues will be discussed. A further consideration is the prevailing paradigm that exists in relation to the issue under consideration. Consideration of environmental

issues, for example, will take place within the existing economic and social paradigms and their relationship with the environmental issue being considered (Yencken, 2002, p. 80). Organisational inertia is another factor when considering change. A study of the introduction of programme budgeting in local government in Victoria in the 1990's found that the prime reason for not introducing programme budgeting were organisational factors rather than a perception that the process is flawed

The research question of this study asks:

How does information about the performance of a local government contribute to making it accountable to stakeholders for its performance in relation to its efficiency, effectiveness and sustainability objectives?

To answer the question it is necessary to investigate the what, why and how of stakeholders' use of information about the performance of their local government. It is also necessary to gain an understanding of what motivates them to take an interest in the performance of their local government and the constraints and the role that performance information has in this. It is therefore necessary to consider the factors that may influence this by examining research from various areas of individual and organisational behaviour relevant to these questions.

2.6 INFORMATION PREFERENCES – Economics Of Information

A key issue in attempting to understand the use of performance information is to understand how its availability will influence behaviour. Local government, as with other public sector organisations, have limited information from which to make decisions (Hart, 1986) and must make choices about what information to collect, use and disseminate. Their choices may be influenced by a number of factors including the processes chosen to manage the organisation (Kluvers, 1999). The study of the Economics of Information is a field of study within economics that analyses the role of information in the market. Prices, it is argued, can vary because

of differences in the knowledge of buyers and sellers (Stiglitz, 1977, Stigler, 1962, Riley, 1979, Grossman & Hart, 1981).

Williamson (1998, 2008) has compared the orthodox approach to understanding transactions, the “science of choice” in which the cost of the transaction is zero, with the “science of contract” which seeks to understand economic behaviour through the lens of a positive transaction cost. The transaction cost theory of the for-profit firm consists of two conceptually distinct strands designated as the incentive alignment approach and the Coasean approach based on the writings of R. Coase. The former approach is based on a firm’s structuring of incentives to minimise opportunistic behaviour. The later approach is based on the economic role of the firm being to minimise the cost of handling information rather than minimising opportunism (Valentinov, 2008).

Even though some local governments operate some of their services in a similar manner to commercial enterprises, they are essentially non-profit organisations. How, then, do theories about transaction cost apply to local governments? Valentinov (2008) argues that the incentive alignment related concepts have been centre stage in the transaction cost analyses of non-profit organisations. Using the Coasean approach he argues that the role of the non-profit firm is to maximise utility rather than profit. Applying the concept of utility maximising behaviour to the non-profit organisation he argues that they reduce their transaction cost by reducing the cost of contracts, substituting long-term contracts for short-term contracts. By actively informing the general public about their mission, activities, and resource requirements they reduce the cost of finding similarly motivated suppliers. In the case of individual factor suppliers with a low intensity of preference for the utility of the non-profit organisation, the provision of information to reduce their search cost, will increase the likelihood of them partnering or contributing to it.

Similar to the theory put forward by Coase, the seminal work of Stigler (Stigler, 1961) sought to understand how the availability of information about

price by both sellers and buyers affected the supply and demand curves of products. Central to this understanding was the cost of information, with the buyer finding it beneficial to seek further information to a point where the cost of information equals the savings resulting from the reduction in uncertainty about the product. Similarly, sellers will seek information about the price set by competitors to be competitive and attract buyers. Stigler argued that information was a commodity and like any commodity has a price, and individuals would only obtain as much as was beneficial to them.

Stigler identified a number of determinants of searching for information:

1. The larger the fraction of the buyer's expenditure on the commodity, the greater the savings from search and hence the greater the amount of search.
2. The larger the fraction of repetitive (experiences) buyers in the market, the greater the effective amount of search (with positive correlation of successive prices).
3. The larger the fraction of repetitive sellers, the higher the correlation between successive prices, and hence, by condition (2), the larger the amount of accumulated search.
4. The cost of search will be larger, the larger the geographical size of the market (Angeletos & Pavan, 2007, p. 1103).

Users of performance information about local government are not necessarily seeking to make a purchase. However, applying Valentinov's concept of utility, it may be assumed they use it to gain some benefit which may be direct or indirect, individual or as part of a group or a broader community. Adapting Stigler's determinants of searching to the use of performance information it may be reasoned that:

- The larger the impact of the issue the greater the amount of search for information.
- The larger the number of people who have accessed the information the greater the effectiveness of its use.

- The larger the amount of use of performance information the more likely it is to be useful information.
- The cost of searching for information will increase with increased complexity and number of issues.

Stigler argued there are a number of explanations for price dispersion including:

- Knowledge becomes obsolete when conditions change.
- The changing identity of buyers and sellers.
- The emergence of specialist suppliers of information.

Again there are likely parallels in the use of performance information about local government. The measurement periods may not reflect the pace at which the conditions being measured change or users of the information may change their information preferences as new issues emerge and existing issues become less significant. Elected members may change following elections and there is always an element of staff turnover. Residents move in and out of the area, and the issues that draw attention change over time. There are various specialist suppliers of information. As well as the local government itself, as discussed earlier in this chapter and in Chapter 1, there are government and non-government agencies providing information, and the local media is an important source of information.

Price advertising, according to Stigler, has a decisive influence on the dispersion of prices, and search becomes extremely economical. This may be equated to the amount of information available about the performance of a local government, with increases in its availability resulting in more people making use of it, and as with price, the greater the marginal value of search, the more the information will be used.

In contrast to the benefits of making information more freely available, the concept of *free riders* asserts that in a wide range of situations, individuals

will not participate in collectively profitable activities if they believe that the gains will be the same without their participation. Stigler (1961) argues that the benefits are in fact *cheap* rather than free and that the gains are reduced without their involvement but not to an extent that it motivates them to take part. Stigler offers a number of explanations in relation to the actions of a firm's participation within their industry, two of which are of particular importance to this study.

- Small Number - if the number of the group taking action is small the incentive to join it is greater, as the benefits are shared amongst fewer firms.
- Asymmetry – if they have a special interest they wish to promote within the larger group they will join (Stigler, 1974)

A study of the role institutional investors play in monitoring corporate performance confirmed there is a trade off between costs such as information and intervention, and the potential benefits of active involvement in monitoring performance and influencing decisions. However, the cost could be reduced by collective action and could improve monitoring information and processes for all shareholders regardless of the *free rider* issue (Nowak & McCabe, 2006, p. 12)

Price is not the only factor to be considered when analysing markets in which consumers are imperfectly informed (Green, 1977). Product quality is an important factor and imperfect information is a cause of quality deterioration (Shapiro, 1982). Also of interest is the role of reputation and that trusting customers may be punished with lower quality where they are slow to conclude that quality has fallen on the basis of one or two observations (Shapiro, 1982, p. 33)

The study of the transaction cost of information may assist in understanding the use of local government performance information. However, Williamson (1979a), when discussing criticism of transaction cost as a theoretical device,

argued that part of the problem was that the theory is not well defined and put forward four factors that help to define what transaction cost theory is:

- Opportunism is a central concept in the study of transaction cost;
- Opportunism is especially important in the study of economic activity that involves transaction-specific investment in human and physical capital;
- The efficient processing of information is an important and related concept;
- The assessment of transaction-cost is a comparative institutional undertaking (Williamson, 1979a, p. 234)

Although the main application of his paper is in relation to commercial transactions he believes that it has, amongst other things, application in the study of public utility regulation (Williamson, 1979a, p. 261). The fourth factor is possibly of special relevance with regard to local government given that much of its decision-making is not driven by market conditions. Williamson, in his concluding remarks says that:

Transaction-cost economics is an interdisciplinary undertaking that joins economics with aspects of organisation theory and overlaps extensively with contract law. It is the modern counterpart of institutional economics and relies heavily on comparative analysis. (Williamson, 1979a, p. 261)

In relation to contract law it is necessary to supplant the idea of a single, all-purpose form of contract law with one that recognises that the operative law of contract varies among governance structures (Williamson, 2008, p. 12).

Similar to Williamson, Islamoglu & Liebenau (2007) argue that transaction theory has not been found adequate in understanding the use of information in some situations and to overcome its shortcomings it has been complemented with theories of political economy, resource-dependency, and network theories. However, while these theories are of value they cannot easily analyse the interactions between power and efficiency, and the impact

of the institutional environment on the choice of governance structure including the power relationships of people within the system, the legal systems, standard industry practice, ingrained behavioural patterns, and internalisation of performance norms (Islamoglu & Liebenau, 2007). Local government is largely governed by institutional arrangements, and the formal and informal processes of decision-making may have a significant influence on how information is used, or not used.

A specific area of study has been the role of information in public sector decision-making. Selden and Terrones (1993) point to the work of several writers who discuss government intervention that may result in Pareto efficiency, rent-seeking, and bureaucratic motives and identify another possible source of government failure resulting from temporary information asymmetry between voters and elected officials. They build on the Rogoff (1990) model (cited in Selden & Terrones, 1993, p. 212) in which rent-seeking incumbents exhibit a bias toward provision of easily monitored government expenditure on publicly provided consumption goods over more hard-to-measure public sector investments. Investigating the formation and application of government policy on the environment Seldon and Terrones argue that legislated abatement standards are probably more observable than the costs of such legislation resulting in overly strict environmental legislation, but that current consumption is probably more readily observable than the government's regulatory zeal, resulting in too little enforcement (Selden & Terrones, 1993).

Seldon and Terrones offer some possible solutions to reduce bias resulting from imperfect information including:

- informing voters of incumbent behaviours;
- right-to-know legislation;
- better research and information sources and dissemination of it to voters; and

- transferring decision making to independent bodies (for local government this could be state government regulation) (Selden & Terrones, 1993, p. 24).

In addition to institutional arrangements, the optimal use of information may depend on exogenous factors and expectations of other people's actions. In addition to understanding the equilibrium properties of such environments, there is the possible benefit of understanding the welfare properties and the social value of information (Angeletos & Pavan, 2007). The actions of an agent depend not only on the agent's expectations of exogenous factors, but also on their expectations of how other agents will act. Information in the public domain may assist, or hinder the overall benefit to the community. They found that the welfare benefits of different mixes of public and private information varied under different conditions and it cannot be assumed that more public information will necessarily lead to increased welfare. Two concepts of importance to the understanding of the welfare benefits of information when considering exogenous factors is the *volatility*, (common variations in actions due to noise) and *dispersion* (idiosyncratic variation in actions due to noise) of information (Angeletos & Pavan, 2007, p. 1105). If, for example, public welfare is enhanced by actors aligning their actions, they will prefer public information over private information; high dispersion; and low volatility (Angeletos & Pavan, 2007, p.1106). An understanding of the information structure is also assisted by decomposing it into *accuracy* (the precision of the agent's forecast) and *commonality* (the correlation of forecast error across agents) (Angeletos & Pavan, 2007, p. 117)

This is of particular relevance when considering the earlier discussion about the trend for the performance of local government to be assessed in relation to outcomes and the "utility" of information. Angeletos and Pavan argue that the efficient use of information and its social value are contingent on the exogenous conditions.

The study of the economics of information has progressed from its roots of understanding the role of information in supply and demand choices of

individuals and firms, to more complex models involving human behaviour. This is not surprising and is reflected in many fields of enquiry. As a result, seeking answers to the questions posed in this research has required the researcher to be open to the ideas of writers in the field of human behaviour. This is of particular relevance to the question of sustainability, one that goes to the heart of people's view of the world and their place in it.

Theory, and multiple theories, can be used to provide perspectives on the use of performance indicators to examine the relationship between the claimed purpose of performance indicators and their actual outcomes under various public settings (Taylor & Taylor, 2003). Theory from the Economics of Information and other areas will be used to examine the research question posed in this study.

2.7 THE INFLUENCE OF INDIVIDUAL AND ORGANISATIONAL VALUES

There are a number of processes by which policy is formed and there has been substantial research to understand them. A 'positivist' model using expert opinion has been the dominant theory to date. This is now being challenged as policy makers and analysts realise the complex nature of how public policy operates in practice and the role of stakeholders in forming policy (Valentinov, 2008, p. 6). To understand the institutionalisation process requires consideration of specific experiences within the framework of the historical and institutional background in which it takes place (Peris, Acebillo-Baqué & Calabuig, 2011, p. 85). Similarly the use of performance indicators is influenced by the values beliefs and norms of the individuals and the professional communities in which they are used (Sarker & Hassan, 2010).

Richard Barrett (1998) makes the connection between the values of individuals and those of the organisation and the need for the two to match. The model consists of seven levels of personal consciousness consisting of survival, relationship, self-esteem, transformation, meaning, making a difference, and service. Similarly, there are seven levels of organisational consciousness consisting of survival, relationship, self-esteem,

transformation, internal cohesion, inclusion, and unity (Barret, 2005, p. 7) Organisational performance can be measured using Barrett's Balanced Needs Scorecard. Shareholders, he argues, are beginning to demand information about all aspects of an organisation's performance. Osbaldiston & Sheldon (cited in Schmuck & Schultz, 2002) discuss social dilemma concepts in relation to sustainability. They argue that peoples' social values will influence their motivation to involve themselves in sustainability issues and their behavior can be changed by providing information and making laws.

Local government is well placed to provide information to the community. Although its powers to pass laws are limited, there are a number of ways in which local government can regulate and influence the lives of its constituents, particularly through its planning powers and the choices it makes about the services and community infrastructure it provides. As discussed in Chapter 1, local government has very broad responsibilities and faces the task of choosing what information to provide and how much information to provide. Similar to the argument put forward by Figg et al (2002) and discussed in Chapter 1, Grace (2005) provides a model of how to choose what measures to have. The model is based on understanding the pressures, such as the shortage of potable water, created by human activities. By measuring the current state resulting from the pressure points it is possible to focus on improvement strategies to respond to them. Response indicators can be developed to evaluate the implementation of the response. The outcome of the response should result in an improvement to the current state of the attribute that is the focus of the response, for example access to potable water. It has been discussed in this chapter that decision-making is a complex process and is not simply an objective assessment of the information.

If people are to respond to information provided by a local government it must be credible. This brings the discussion back to the earlier discussion about accountability and the notion of accountability being a process of collaboration to create public value.

For effective governing for results, significant community resources should be systematically guided by citizen priorities and measurement of results. Organisations that normally control significant resources for community well-being, such as a local government, can be well positioned to help their community govern for results if they are willing to empower citizens and use regular performance feedback (Epstein, Coates & Wray, 2006, p. 11)

The collaborative approach to decision making fits with a constructivist view of the world. However, as discussed earlier, local government in Western Australia has moved to a business model of management operating within a positivist view of the world in which there is thought to be objective, value-free and absolute knowledge. However, as in other jurisdictions, there has been a growing tendency to increase consultation with the community. Smith (2004) reproduces the table of Kelly and Muers contrasting evolving management styles.

Table 1 Approaches to public management

	Traditional public management	New public management	Public value
Public interest	Defined by politicians/experts	Aggregation of individual preferences demonstrated by customer choice	Individual and public preferences (resulting from public deliberation)
Performance objective	Managing inputs	Managing inputs and outputs	Multiple objectives -Service outputs -Satisfaction -Outcomes Maintaining trust/legitimacy
Dominant model of accountability	Upwards through departments to politicians and through them to parliament	Upwards through performance contracts; some times outward to customers through market mechanism	Multiple -Citizens as overseers of government -Customers as users -Taxpayers as funders
Preferred	Hierarchical department of self-regulating profession	Private sector or tightly defined arm's length public agency	Menu of alternatives selected pragmatically (public sector agencies, private companies, JVC's community interest companies, community groups as well as increasing role for user choice)
Approach to public service ethos	Public sector has monopoly on service ethos, and all public bodies have it	Sceptical of public sector ethos (leads to inefficiency and empire building) – favours customer service	No one sector has a monopoly on ethos, and no one ethos always appropriate. As a community resource it needs to be carefully managed
Role for public participation	Limited to voting in elections and pressure on elected representatives	Limited – apart from use of customer satisfaction surveys	Crucial – multifaceted (customers, citizens, key stakeholders)
Goal of Managers	Respond to political direction	Meet agreed performance targets	Respond to citizen/user preferences, renew mandate and trust through guaranteeing quality services

Source: Kelly and Muers cited in Smith (2004, p. 77)

Management in local government can operate in two different paradigms. A positivist paradigm using “business” management methods and consultative methods operating in a constructivist paradigm (Smith, 2004). Managers form an interpretive scheme when choosing their management approach and methods (Vakkuri, 2010). Boxelaar, Paine, Beilin (2006, p. 124) challenge the view that a positivist approach to management can be overlaid with a constructivist collaborative approach when the organisation chooses to, and argue that the positivist culture of the organisation subverts the collaborative approach. They argue that organisational alignment is required for community-based approaches to take policy development down a constructivist path. They say that:

Agencies have to come to terms with the fact that their organisational structures, processes and practices are constitutive of the social organisation of the change process and hence critical to the success of the engagement and collaboration process more broadly (Boxelaar, Paine & Beilin, 2006, p. 124)

A component of collaboration is trust, and although it has been argued that trust can facilitate the process by reducing transaction costs, the relationship and causality of trust and performance has not been studied until recently (Islamoglu & Liebenau, 2007, p. 276). Trust in this context measures the quality of relationships maintained within an organisation and with all its key stakeholders (Van de Walle & Bouckaert, 2003). Vigoda-Gadot and Yuval (2003) studied the relationship between aspects of democracy, namely trust, with aspects of bureaucracy, such as managerial quality and administrative performance. They found that administrative performance might be treated as a precondition to trust in governance rather than trust serving as a precondition to performance. This, they argue, is justification for governments to embark on the New Public Management (NPM) style of government despite criticism that it erodes the democratic basis of government, saying that:

The fact that NPM direct public managers and political decision-makers to utilize business measures in order to reduce financial and budgetary waste as well as to increase managerial quality and performance eventually leads to more public trust (Vigoda-Gadot & Yuval, 2003, p. 518.

They point out that these findings are subject to many limitations including the cultural differences that exist in different countries. Van de Walle and Bouckaert (2003), however, argue that the perceived performance of government is based on general perceptions of government performance regardless of the actual performance of a particular government agency. However, when citizens were asked more concrete questions in surveys the negative attitude to government largely disappears. This, they say, points to the need for studies of the causality of the relationship between trust and performance to take into consideration the context of the relationship.

The use of PI may be an indicator of this. Jacquelyn McCroskey (2006) suggests that a conceptual framework for understanding communities is to consider it as a *complex adaptive system* and that understanding the flow of information should help in understanding the behaviour of the system. She argues that the characteristics and contexts of different communities may influence that flow and that the inherent bias of the different actors can be overcome by sharing information. This has implications for decision-making and how information is managed and used to build knowledge with the local government assuming the task of “knowledge management” (Hart, 1986, p. 95). Contextual factors may inhibit or enhance public involvement and consideration must be given to the different preferences of the people involved (Decker & Bath, 2010).

2.8 ACCOUNTABILITY AND ASSURANCE

In Section 2.3 the meaning of *accountability* is discussed. This section will discuss the meaning of *assurance* and its distinguishing features from the concept of accountability. As was discussed earlier in this chapter, writers on

the subject of local government performance have increasingly focussed on the importance of holding local government accountable for outcomes (Baehler, 2003, Kloot, 2001, Thurley, 2003), and there is a significant amount of literature putting forward the argument for the community to be directly involved in accountability processes (Cameron, 2004, Salaman, 2002). While there are multiple approaches to accountability, they generally include the use of information about the performance of the local government (Baehler, 2003, Cameron, 2004). However, the literature also points to the many factors that influence the use of performance information (Islamoglu & Liebenau, 2007, Williamson, 1998). Taking all of these factors into consideration it can be seen that while the importance of the formal institutional mechanisms for accountability remain important, market and society-based approaches have a significant role in the accountability of public officials. In social accountability, social actors not only pressure the government from outside, they actively participate in the core functions of the government itself (Sarker & Hassan, 2010, p. 5). However, there are weaknesses including the technical competence of people within civic forums and the capacity of volunteers to keep giving their time (Sarker & Hassan, 2010, p. 16).

To help people deal with the complexity of performance, governments and the public often turn to third party auditing processes. Third party auditing is a process which increases the confidence people can have in a particular statement, report or claim and assurance is sought not just of statements made, as with the independent audit of financial statements, but of processes such as internal audits (Chambers, 2006, p. 41). The meaning of assurance in this context is in relation to the statements provided by the organisation, however, as with accountability there are multiple uses of the term *assurance*. Deegan and Cooper commenting on triple bottom line reporting say:

In triple-bottom-line (and sustainability) reporting, a variety of terminology is used to label the work being undertaken by the external third party. For example, the terms "audit", "verification" and

"assurance" are all used to describe fairly similar activities. (Deegan, Cooper & Shelley, 2006, p. 3)

A distinction made between *quality assurance* and *quality control* is its emphasis on formative, process-focused feedback on performance rather than summative product-focused, consistent, comparable and reliable results (McCulloch & Tett, 1996, p. 17). However, quality assurance can also be categorised by differences in the level of qualitative, as opposed to quantitative, information used to make the assessment. Writing about quality assurance in the medical field, Lohr and Brook (1984) make the distinction between *implicit* criteria with little or no formal structure, based on the internalised expectations of the evaluator, and *explicit* criteria with a well developed structure and no room for individual judgement (Lohr & Brook, 1984, p. 587). While the literature does not agree on a precise meaning of accountability or assurance, the distinction between them is that accountability is generally seen as an internal process of the organisation to report or demonstrate its compliance to standards and the achievement of performance goals for consumption by people or organisations external to it. Assurance is the process by which people are satisfied that the accountability process is working effectively, and although it may use explicit or implicit criteria to make the assessment, it is based on their overall perception as opposed to the more rigid technical assessment that characterises accountability processes.

2.8 CONCLUSION

The literature about the use of performance information in local government and how measures of its performance may be used to make it accountable shows there are many facets to it. There is the question of what the local government is to be accountable for, how and if it can be measured and how that information can be used in a way that provides assurance to those that it is accountable to. It raises further questions about the relationship of the local government to its community and whether it is primarily a provider of services to a community that are consumers of that service, or if it is a

partner with the community to achieve community outcomes, and in which accountability is achieved through the involvement of stakeholders.

CHAPTER 3 - RESEARCH METHODOLOGY AND THEORETICAL PERSPECTIVES

3.1 THEORETICAL ORIGINS

Social research design consists of a plan to obtain verifiable knowledge about a research problem (Chadwick, 1984). The research for this thesis sought to gain an understanding of how local government stakeholders use measures of the performance of their local government. The research sought to identify the current use of performance measures and performance reports, and to find answers to questions of why and under what circumstances this occurs and how it is linked to their understanding of sustainability and the role of local government in sustainability issues. The research objective was also to investigate if a convincing model can be constructed to explain the findings and be used to improve the use of performance measures. Thus, the research has a *double rationale* (Chadwick, 1984), seeking to advance the accumulation of systematic knowledge and also having a practical benefit.

Performance measurement in local government is still developing and, although there is a growing level of theory around the subject, there is limited and patchy understanding of the concept by local government managers, and within the community performance indicators for local government are not well known or understood. The research approach for this study therefore needed to examine the participants' knowledge about performance measurement, and where necessary to provide an explanation of the concepts. Similarly, it was necessary to be able to seek clarification of the meaning of the responses, within the context in which they were made.

The research approach therefore needed to be able to gather data from participants who have different levels of understanding about performance measurement in local government, and who will attach different meanings to concepts of performance, performance measurement, sustainability and the

phenomena relating to them. Silverman (2000) discusses the development of theory, explaining that it arranges sets of concepts to define and explain phenomena and consists of plausible relationships produced among concepts and sets of concepts. How phenomena are labeled defines their character and in turn is associated with the "definition of the situation" and the researcher must look for how meaning is defined by people in different contexts. In deciding the research method to be used, it is necessary to consider not only how the researcher conceptualises the world, but also how research subjects think about things.

Approaches to research are generally classified as being qualitative or quantitative. Quantitative approaches have traditionally been associated with research objectives related to isolating cause and effect, operationalising theoretical relations, measuring and quantifying phenomena and allowing findings to be generalised (Flick cited in Denzin and Lincoln 2000).

Qualitative research is associated with:

activity that locates the observer in the world. It consists of a set of interpretive, material practices that make the world visible. (Denzin & Lincoln, 2000)

Creswell (1998, p. 75) discusses five philosophical beliefs or assumptions that are to be found in qualitative research:

- Ontological – what is the nature of reality?
- Epistemological – what is the relationship between the researcher and that being researched?
- Axiological – what is the role of values?
- Rhetorical – what is the language of research?
- Methodological – what is the process of research?

The following discussion will use the five assumptions as a framework to discuss the research design, including the rhetorical assumptions of Creswell

that recognise the need to describe the language and presentation of the findings of the research.

The first assumption is the nature of reality, or the ontological issue. The research is an exploratory study to identify stakeholder's perceptions of what information about local government performance they use or may use. In this study the researcher takes the stance that the participants each have their own individual perceptions of reality and the researcher must explore the multiple realities. It seeks to understand what information they want, why they want it and how it should be made available. The question went to the core of what people believe local government is responsible for, their personal beliefs about their role in the community and involvement in creating a desired future. It was also anticipated that their use of performance information may vary according to their personal experience, relationship with the local government, and their level of understanding of performance indicators.

It is necessary to attempt to understand the motivation of the research participants to use performance information about their local government and their underlying beliefs. The research is therefore based on a 'constructivist' paradigm that assumes that reality is constructed by individuals interpreting their environment resulting in the co-existence of multiple realities (Creswell, 1998).

The second assumption, the epistemological, refers to the relationship of the researcher to that being researched. As this research attempts to understand the social and personal factors that influence the use of information about the performance of local government, it requires an approach that allows participants to discuss personal feelings, values and experiences. Guba & Lincoln (2000) refer to this as minimizing the "distance" or "objective separateness" between the researcher and the subject. The study seeks to discern residents' preferences for performance information about local government and whether these views are based on perceived preferred roles for local government or on the individual's articulated values.

As a result, the epistemological stance for this study is 'interpretative', interpreting the subjective views of the participants (Lincoln & Guba, 2000, p.168) to understand the embedded meaning (Huberman & Miles, 1998, p.181).

The epistemological stance has implications for the axiological assumption, that is, the role of values in the study. In a positivist paradigm the research design makes every attempt to guard against the researcher's values influencing the research. In a qualitative study, Creswell argues, the investigator admits the value-laden nature of the study and reports on his or her values and biases and how the information gathered through the research may be influenced by those values.

As a result of the need to build trust and confidence in the researcher it is necessary to inform and discuss the views and personal details of the researcher with the participants in the research. In this case, the researcher is attempting to find answers to specific questions about the use of performance measures, similar to a positivist approach, and is influenced by the desire to improve the cost effectiveness of performance management processes in local government, as well as to determine if performance measures relating to sustainability are valued and can contribute to sustainability.

Participants were told that the researcher is a manager in local government, and is concerned with the effectiveness of current practices for measuring and reporting the performance of local government, and that there has been little research about it. In addition, the growing pressure for local government to focus on sustainability and to have sustainability measures and reports, while offering potential benefits could be ineffective and even counter productive without a better understanding of how the measures are, or could be, used.

The fourth philosophical assumption of Creswell is the rhetorical assumption. This refers to the language used in the study. The research does not focus

on a narrowly defined research question using precise definitions. The intention was to allow the terms to be defined by the subjects involved in the research. The objective was to understand the deeper meanings and motivations of the research subjects rather than gather statistically reliable responses. A statement from one person may provide a valuable insight. The results are therefore conveyed through the words used by the participants in the research. The important attributes are the credibility, dependability of the statements and the degree to which they contribute to understanding the subject, and lead to discovery and new meanings.

The methodical assumption of how one conceptualises the entire research, according to Creswell, emerges from the four preceding assumptions. The preceding discussion of the four assumptions places the research into a qualitative paradigm (Denzin & Lincoln, 2003, Creswell, 1998). The ontology is constructivist with multiple realities as seen by the participants in the study. The epistemology requires the researcher to lessen the distance between the researcher and the participant, the axiology is one in which the researcher acknowledges the influence of his own values and biases, and the rhetorical language is informal and using the participants own statements to support the findings of the research.

In reaching the above conclusions it is acknowledged that another researcher faced with the same research objective may make different assumptions leading to different choices.

All theories of organisations are based upon a philosophy of science and a theory of society. Whether they (theorists) are aware of it or not, they bring to their subject of study a frame of reference which reflects a whole series of assumptions about the social world and the way in which it may be investigated (Burrell 1979 cited in Whiteley, 2004, p. 5)

Denzin and Lincoln (2003) speak about the *embarrassment of choices* within the field of qualitative research. In investigating the research approaches used in qualitative studies it is obvious that there are many paradigmatic controversies and arguments for and against the use of different

methodologies and methods of data collection, analysis and writing (Bryman, 1988, Charmaz, 2003, Lincoln & Guba, 2000, Johnson et al., 2007) Having placed the research within a qualitative paradigm, it is necessary to determine the method of research most suitable for this study. The following section discusses the choice of method, its strengths and weaknesses in relation to this study and how the rigour and trustworthiness of the study are maintained.

3.2 METHODOLOGY

The qualitative methodology is chosen because the research in this study seeks answers to questions that stress how social experience is created and given meaning, and because of the formative and inductive nature of the study with the objective of building rather than testing theory (Eisenhardt, 1989, p. 536). Creswell (1998) conceptualises scientific inquiry methods into five traditions along a continuum according to whether theory is used before data collection or after data collection. The five traditions are:

- an ethnography;
- a phenomenology;
- a biography;
- a case study; and
- a grounded theory study.

This study uses a grounded research approach (Whitely 2004) that is a modified form of grounded theory study for reasons discussed later in this section. Grounded theory is at the most extreme end of the five traditions continuum in which data is collected and analysed before using theory. The theory is generated through data collection and analysis in an inductive process. Qualitative data is generally descriptive and makes theory generation difficult. The grounded theory approach helps to integrate the descriptive data, as well as beginning to explain and interpret the data (Parry, 1998). The approach acknowledges the researcher as an active agent and

the subjective nature of the research data (Whiteley et al., 1998, p. 5). In grounded theory the development of mid-range theory from an inductive analysis of grounded data requires an engaged and reflective researcher. The constant comparative method (Glaser & Strauss, 1967) is used as coding categories and themes emerge to form theoretical models to explain the when, why and under what conditions do the themes occur (Ryan & Bernard, 2000, p. 783).

Central to grounded theory is the identification of a basic social process to explain the social phenomenon under investigation (Parry, 1998). In this study it is to identify the social process, or processes, that are taking place in relation to the use of information about the performance of local government. However, grounded theory does not generate generalisable theory. It is applicable to the substantive setting in which the study takes place.

Glaser and Strauss (1967) identify two dimensions of grounded theory. The first characteristic is the personal and temperamental bent of the researcher. The second is the researcher's ability to have theoretical insight into the area of research and the ability to interpret the insights. Thus some understanding of the theoretical area is required to commence the study, but should not be allowed to force the development of the theory that emerges from the data.

Individuals construct their own views but may also recognise the legitimacy of other individuals and groups. The "participatory" ontology described by Lincoln and Guba (2000, p. 63) in which social phenomena consist of the meaning-making activities of groups, was also considered when developing the research approach.

The data collection consisted of semi-structured interviews and a focus group. As a result of the initial data collection at LG Large (see section 4.0 for description of profile) respondents are categorised as being *activist* or *non-activist*. In some cases the activists are part of a group and the analysis considered differences in the views of people who are part of a group compared with those that are not. Also when analysing the data from the

focus group the researcher is cognisant of how participants formed their views on issues that prior to attending the focus group they had given little thought to. As a result of the discussion and listening to the views of others they often altered their own view on an issue, and at other times held more firmly to their view in the face of opposition because they received support from other participants.

The relationship of the researcher to the study is an important consideration. *Reflexivity* is the process of reflecting critically on the self as researcher and forces the researcher to come to terms with their own views and motivations as well as the multiple identities involved in the research. Reflexivity forces the researcher to consider themselves as researcher, their brought selves (the selves that historically, socially, and personally create our standpoints), and the selves created by the situation (Lincoln & Guba, 2000, p. 183).

The relationship of researcher to respondent and its implications for maintaining distance and objectivity will be discussed further in relation to the rigour of the study. However, regardless of whether there are circumstances in which the researcher can be completely unattached and objective, there are other reasons why in this study the emergence of the constructs, the analysis and resulting theory could be influenced by the nature of the study. Whiteley (2004) discusses the use of grounded theory in the business setting and argues that when researching business organisations a forcing of constructs will usually happen because of the existing meaning, structures, and functions resulting from the organisational framework within which the study is being conducted. When researchers quote grounded theory as the research method they are quoting the principles, systems procedures and methods of data collection and analysis. However, she argues that the “emergent” nature of theory in grounded research can only be applied in a limited way in business research. The “myth and ceremony” of formal structures can force the choice of constructs in the emerging theory and, Whiteley says, results in the ideals of grounded theory being unachievable in an institutionalised setting. However, although the approach does not conform to the emergent principles of grounded theory, because the theory is

grounded in the data through methods developed within the grounded theory approach, recognition of this can be given by using the term *grounded research*.

Whitely argues that although the principles of grounded theory cannot be met in its purest form, it can be seen as a benchmark for certain types of interpretive research. She uses a case study on waterfront reform to demonstrate this. Similar to this study, it sought to investigate perceptions of key groups who, in this case, were affected by the change surrounding the life of the first Enterprise Based Agreement on the Fremantle waterfront. It was found that the organisation setting imposed three distinct overlays:

- the management overlay;
- the industry/organisational overlay, and
- the Enterprise Based Agreement.

In this study there are a number of institutional systems that could influence the research. These include:

- organisational systems for performance management;
- statutory accountability requirements;
- the existing governance structures within local government;
- the electoral system; and
- the statutory role and powers of local government.

The use of semi-structured interviews and a focus group is consistent with methods used in grounded theory. However, the institutional systems that the participants were familiar with could influence their responses. Similarly, the researchers' background working in local government could influence the choice of constructs when coding both in the choice of open codes and when axial coding (this will be discussed further in the analysis section of this chapter). As with the Waterfront study, there were specific aspects of performance management that the research sought to find answers to which

directed the questioning and the subsequent analysis. For this reason the approach here is described as *grounded research*.

3.3 BRACKETING

Bracketing is the recognition of the need to bracket researcher 'theories' from the research context (Whitely, 2002, p. 6). It is important for the researcher to understand his or her pre-existing ideas and to guard against forcing the data to fit them or other ideas formed in the early stages of the research, using the methods discussed to maintain the rigour of the research.

However, it is also important for the researcher to clearly state his or her background, interpretations and point of view (Fendt & Sachs, 2008, Lincoln & Guba, 2000).

The approach of this researcher, which is also believed to be that of Strauss and Corbin, is that when discussing objectivity it is the objectivity of the researcher, not necessarily that there is an objective reality or truth in a "real world" (Strauss & Corbin, 1998). The "truth" is the meaning that the participant in the research is attempting to convey (or not convey) to the researcher and grounded research uses a systematic process to allow the words of the participants to surface and form the understandings gained from the research.

The research in this case is a grounded research study following a procedure specifically developed for this purpose. However, within this procedure the researcher has scope to use a variety of methods to collect data including the use of a journal as promoted by Janesick (2003), and a journal was kept throughout the research period.

Miller and Fredricks (1999) argue that the explanatory power of a theory, and thus its credibility, is predicated on the process by which the theory is developed. They discuss the process by which grounded theory works using Glaser and Strauss's (1967) four stages of grounding a theory consisting of:

1. placing incidents into categories.
2. integrating categories with their properties.
3. theory delimitation.
4. theory writing.

They postulate that the resulting theory could be either an explanation of the phenomenon, or a theory that needs to be further tested. However, they go on to say that:

the issue of whether a grounded theory is an adequate theory because it is or is not accommodationist or predictive is not that important: Grounded theory is a type of theorising, focused both on the context of discovery related to a plausible explanation or some phenomenon and providing an inductive argument for its plausibility...what it lacks, presently is a clear articulation of how it explains (Miller & Fredricks, 1999, p. 549)

Parry (1998) does not share this concern. Discussing the use of Grounded Theory to study leadership he addresses concerns about replication and the generalisability of the research arguing that it is more appropriate to ask whether or not, if applied to a similar situation, it will allow the researcher to interpret, understand and predict phenomena. In relation to the accommodationist issue he argues that the theory could be said to be reliable if the variation from the existing literature can be explained by a substantive difference in the research situation.

Qualitative methods require the use of specific methods to uphold the usefulness of these findings. The methods used are discussed in the following section, with specific details of how it is employed during the course of the research in the relevant sections describing the research method from data collection to analysis and building theory.

3.4 RESEARCH RIGOUR – reliability and validity

Reliability refers to the accuracy of a measuring instrument over repeated measures, and within a positivist paradigm it is defined as the extent to which a measurement procedure provides the same answers however and whenever it is carried out. In a qualitative study the replicability of the study is achieved by the researcher maintaining a detailed audit trail documenting the process and procedures (Whitely, 2002).

Validity is the extent to which the findings are sufficiently authentic that they can be trusted to form decisions and take action (Denzin & Lincoln, 2005). For any piece of work there is not a simple or final answer to this according to Denzin and Lincoln (2005), and it is a matter of judgement by the professional and layperson. They go on to offer a number of criteria by which validity can be judged including its authenticity, resistance, poststructural transgression, and ethical relationships. In grounded theory, validity is assisted by having maximum internal variety (Glaser cited in Parry, 1998). In this study data collection took place in three disparate local governments and interviews were conducted with residents and senior staff.

Validity and reliability are challenges for all qualitative researchers, some of whom claim that instead of reliability and validity the accuracy of the data and their analysis is better evaluated in relation to evidence about its credibility (Parry, 1998). The credibility of the research is contingent on how it addresses three issues (Patton 1980 cited in Whitely, 2002, p. 5):

- *Rigorous techniques for gathering high quality data that is carefully analysed with attention to issues of validity, reliability and triangulation.*
- *The credibility of the researcher which is dependent on training, experience, track record, status and presentation of self and*

- *Belief in the phenomenological paradigm, which is a fundamental appreciation of naturalistic inquiry, qualitative methods, inductive analysis and holistic thinking.*

The evolution in approaches to validity is demonstrated in the work of Lincoln and Guba (1989, 2000) referred to earlier. In their early work they developed a set of criteria to gauge the validity of the method that replaced the positivist criteria of internal validity, external validity, reliability and objectivity with criteria for a constructivist ontology and epistemology. These comprised credibility, transferability, dependability and confirmability (Lincoln & Guba, 1989). However, in their more recent writings they discuss a second form of rigour focussing on the *interpretation* rather than the method. In this form rigour comes from:

defensible reasoning, plausible alongside some other reality that is known to author and reader (Lincoln & Guba, 2000, p. 78)

They ask the question, how can we know when we have specific social inquiries that are sufficiently faithful to some human construction to feel safe in acting on them? This is a particularly important question for the objectives of this research, and the position of the researcher as a practitioner in the field. Lincoln and Guba do not provide criteria as they did in relation to the first form of rigour, but offer a number areas for discussion that may be used to make judgements regarding a piece of work. The discussion areas are:

- Authenticity;
- transgressive validities;
- ethical relationships.

The rigour of this study is discussed in relation to both validity in method and the validity of the interpretation followed by a discussion of saturation of categories, triangulation of data and of how grounded research builds theory.

3.4.1 Rigour in Method

The criteria developed by Lincoln and Guba (1989) are used to discuss how the quality of this study is maintained.

Credibility

The credibility criteria seeks to establish the match between the constructed realities of respondents and the realities attributed to them by the researcher. Lincoln and Guba offer six techniques to verify the credibility of the research: prolonged engagement, persistent observation, peer debriefing, negative case analysis, progressive subjectivity, and member checking.

Prolonged Engagement

In this study *prolonged engagement* to overcome the effect of misinformation, distortion and presented “fronts” is achieved by allowing sufficient time within each interview to probe and expand on responses. The experience of the researcher within the industry and prior knowledge of each of the local governments assisted in verifying facts.

Data was obtained from two categories of residents, activists and non-activists as well as from the senior management team, to provide insights through three different perspectives. This allowed the phenomena to be viewed through different lenses and to crystallise, rather than triangulate. Triangulation as a form of validity will be discussed later in the chapter. Crystallisation is a different process and provides a multi-dimension view of what is being observed through the eyes of different sets of actors.

Persistent Observation

The purpose of *persistent observation* is to enable the evaluator to identify the most relevant characteristics and elements in the situation and to focus on them in detail. Interviews were conducted in the homes and offices of the respondents, and approximately three months was spent in the field with each local government. About a dozen interviews were conducted in each of

the local governments and it was possible to identify and explore emerging issues during the course of the interview process within each local government.

Peer Debriefing

Peer debriefing is conducted with a knowledgeable peer to both test the findings and to help make apparent the tacit and implicit information possessed by the evaluator. Regular meetings were held with the researcher's supervisors to discuss the emerging constructs and theory.

Negative Case Analysis

The process of revising hypotheses in the light of hindsight is referred to as *negative case analysis* and is analogous to statistical tests in quantitative methods. The use of NVivo and Decision Explorer allowed the researcher to test different models and to revise constructs and insights to find the most appropriate explanation for a phenomenon.

Member Checks

According to Lincoln and Guba, the most crucial technique for establishing credibility is member checks in which the respondents verify the constructs provided by the researcher. In this study a copy of each transcript was sent to the interviewee for verification and the responses included in the data.

An important contribution that Charmaz (2003) makes to the application of grounded theory is her emphasis on looking for the views and values of the participant as well as for acts and facts. This is achieved in this research by having open introductory questions, probing for the reasons for their responses, and by journaling observations about their personal circumstances and backgrounds.

Transferability

The researcher as the sender is required to convey sufficient information to a receiver wanting to use the information to fully understand the context and

situation in which the findings or theory developed through the research can be applied.

This is achieved through thick description. In this study background information about the local governments is used to provide a full understanding of the situation and environment in which the information is gathered. This allows the receiver to determine if the circumstances to which they wish to apply the findings of this study are similar.

Dependability and Confirmability

Dependability is concerned with the stability of the data over time. There are, according to Lincoln and Guba (1989), two aspects to dependability. The first is the process, which must be trackable and fully documented, using an effective process to maintain the transcription quality (Poland, 1995). The second depends on the fourth trustworthiness criteria of confirmability. In a constructivist paradigm the integrity of the findings are rooted in the data themselves (Lincoln & Guba, 1989, p. 243), and the narrative of the study makes implicit and explicit how the data is interpreted and formed into the constructions and assertions of the study.

In this study the researcher maintained a journal of developing thoughts and ideas about the data and its meaning. The use of Nvivo provides an audit trail of codes and categories developed through the process, and the memo function provides a detailed record of the interpretation of the data and the meaning given to the emerging constructs. The progression of models developed in decision explorer shows how the categories are formed, refined and developed to identify the core category as described by Strauss and Corbin (1998).

The coding of the data in NVivo was audited by an independent researcher with experience in grounded research. The audit found that the coding was consistent and made recommendations for further analysis of the nodes which were implemented to form the final set of categories. The audit report is contained in Appendix 7.

3.4.2 Rigour in Interpretation

As discussed earlier, Lincoln and Guba describe a second form of rigour as being the *validity of the interpretation*. The subjective nature of the evidence that can be used to claim any such validity is rooted in the constructivist paradigm rather than the concerns of validity carried over from the positivist legacy (Lincoln & Guba, 2000, p. 180). The subjective nature of the evidence makes it more difficult to establish universal criteria by which validity of interpretation can be assessed. Similarly, the evidence to demonstrate the rigour of the research is, by its nature, subjective and can be coloured by the perceptions of the researcher when reporting on it. Lincoln and Guba, citing the work of Schwandt (1996) discuss the term antifoundational that denotes:

a refusal to adopt any permanent, unvarying (or “foundational”) standards by which truth – and any agreement regarding valid knowledge – arises from the relationship between members of some stakeholding community. (Lincoln & Guba, 2000, p. 177)

This discussion demonstrates how notions of rigour are changing as qualitative researchers seek to align their methodology and methods with the constructivist paradigm and steadily move away from the positivist methods that have influenced it in past years. This will be discussed further in the section on objectivist and constructivist methods of grounded research.

As a result of this change in thinking, Lincoln and Guba developed *nonfoundational* criteria to assess validity. The first of these was authenticity, criteria to judge the processes and outcomes of constructivist inquiries (Lincoln & Guba, 1989). In their later work, Lincoln and Guba (2000) discuss two other forms of validity, transgressive and ethical relationships.

Authenticity

Authenticity criteria offered by Lincoln and Guba (2000) are fairness, ontological authenticity, educative authenticity, catalytic authenticity and

tactical authenticity. These five criteria they say are hallmarks of authentic, trustworthy, rigorous or “valid” constructivist inquiry.

Fairness

Fairness is describes by Lincoln and Guba as being a deliberate attempt by the researcher to prevent marginalisation, to act affirmatively to include participants, and to act with energy to ensure that all the voices in the inquiry are represented in the text and their stories fairly treated.

Stakeholder groups in this study were classified into Activists, Non-activist and Managers, using a theoretical sampling approach described more fully in Section 4 of this chapter. While there are many other stakeholder groups of relevance to the research question, the bracketing of the study allowed a clear focus on these groups during data collection and analysis, taking into consideration differences in belief and value systems.

The second step in achieving fairness, according to Lincoln and Guba, is open negotiation of the recommendations, and the agenda for subsequent action.

Ontological and Educative Authenticity

Ontological and educative authenticity is the extent to which participants in the research, or those they come into contact with, have a raised level of awareness (Lincoln & Guba, 1989, p. 248), and have the capacity to engage in moral critique (Lincoln & Guba, 2000, p.180). The questions posed to participants in this study stimulated them to consider questions they previously had not consciously thought about and to articulate their beliefs and why they hold them.

Catalytic and Tactical Authenticity

Catalytic and tactical authenticity is described by Lincoln and Guba (2000) as the ability of the study to prompt action on the part of the participants and to train them in specific forms of social and political action. It is not the purpose of this study to elicit such action and the use of a grounded research

approach requires keeping some distance between the researcher and the participants. However, it was anticipated at the beginning of the study that its findings would have benefit to local government by providing insights into how performance information may be used to achieve improved community outcomes.

Transgressive Validities

Lincoln and Guba discuss new approaches to validity that are *disruptive of the status quo* (Lincoln & Guba, 2000, p.182). They challenge the concept of validity as truth and argue for a more fluid conceptualisation of the world in which there are multiple truths depending on the lens through which the observer is looking at it (also see discussion in relation to crystallisation below). The findings presented in this study seek to describe the multiple realities that are encountered, with the researcher attempting to identify constructs from different view points (Wildy, 1999).

Ethical Relationship

As criteria for validity have broadened beyond considerations of method to encompass the nature of the research, the researcher and the participants, the ethical relationship between them has become an issue of concern for researchers. Lincoln and Guba (2000) describe the development of emerging criteria for quality rooted in the epistemology/ethics nexus. Seven new standards were developed:

- positionality;
- specific discourse communities and research sites as arbiters of quality;
- voice;
- critical subjectivity;
- reciprocity;
- sacredness; and
- sharing.

The first four criteria have been addressed in different ways in the discussion on rigour. Reciprocity and sacredness are indicated by the willingness of the participants to take part in the research, but the relationship is a one off meeting and the evidence of its success can only be gauged by the quality of the contribution they make and their willingness to provide personal views, and, on some occasions, confidential information. Sharing the benefits of the study is limited to the benefits that may arise from the improved knowledge of how performance information can be used by local governments to improve their communities, including those in which the participants live and work.

3.5 THE SAMPLING FRAMEWORK

The methodology of the study is qualitative, and the method for obtaining participants to take part in the study was chosen to support this approach (Creswell, 1998). A purposeful sampling strategy was used (Miles & Huberman, 1994), and consistent with the grounded research approach, participants chosen based on their ability to contribute to an evolving theory using *theoretical sampling*. The sampling strategy evolved as the constructs were developed and new insights emerged that elaborated on the theory in all of its complexity. Interviewing of participants continued until the data in a particular category was saturated and the emerging model was sufficiently robust (Creswell, 1998, p. 57, Parry, 1998, p. 97).

In addition to saturation of the data, *triangulation* is used to ensure the credibility of the research. Chadwick describes triangulation as being:

The search for consistency of findings from different observers, observing instruments, methods of observation, times and places, and research situations. Triangulation embraces the methods of replication and includes the practices usually followed to estimate the validity and reliability of research findings (Chadwick, 1984, p. 40).

Data triangulation, which refers to the focussing of data from different settings upon a single problem (Denzin & Lincoln, 2000), is used to look for

consistency, or inconsistency, of findings from different observers and observer types to provide a richer analysis of the data (Chadwick, 1984, p. 40).

Denzin (cited in Chadwick, 1984, p. 40) identifies four types of triangulation, data, investigator, theoretical, and methodological, and three types of data triangulation: time, space, and person. Conducting research with different stakeholders of a local government was used to gain person-triangulation and the inclusion of multiple local governments in the study provided space-triangulation, using data gained from a variety of locations.

An alternative approach to triangulation is crystallisation (Janesick, 2003, Wildy, 1999). Crystallisation recognises the many facets of any given approach to the social world. What we see depends on how we view it and Janesick promotes the use of other disciplines (from the primary one used) to inform the research process and broaden the understanding of method and substance. In this study the literature review includes a range of topics with relevance to the use of performance indicators, and draws on several disciplines including financial accounting, economics, public policy, planning and psychology. Crystallisation through the lens of different groups of actors is discussed in relation to the credibility criteria earlier in this chapter.

3.6 RESEARCH DESIGN

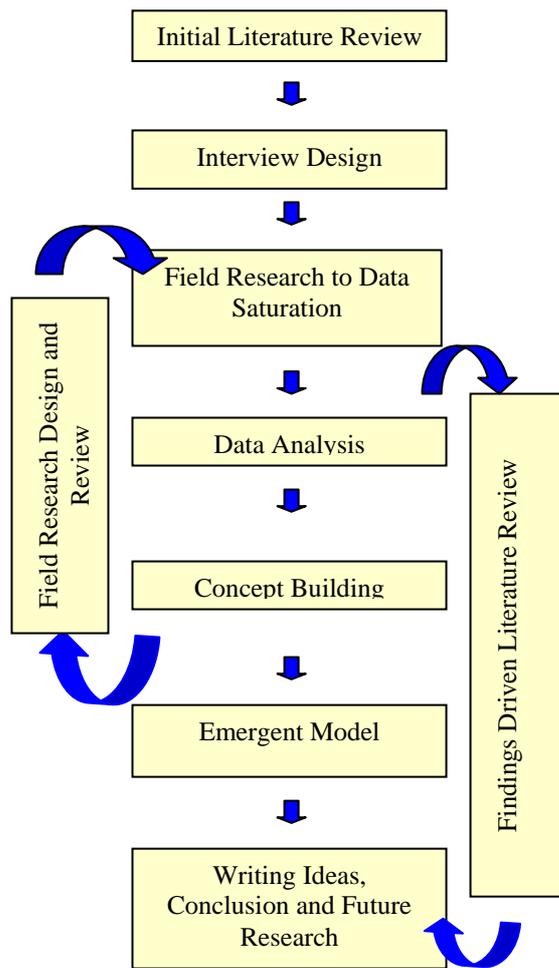
Chadwick (1984) identifies four important principles of good research design. The first is *parsimony* to minimize research problems by keeping the system for collecting, analysing and interpreting data as simple as possible. The second is *unobtrusiveness* to minimise the reactive affects that threaten the validity of the study. Both of these principles were considered in the initial research design and during the research when making decisions about how to expand the research from its initial data gathering and analysis.

The third principle identified by Chadwick is *triangulation*. This refers to the search for consistency of findings that are discussed in greater detail earlier

in this chapter. The fourth principle is *trained incapacity*, which is staying with a method the researcher is familiar with, and was not a significant issue once the choice of using a qualitative methodology was made.

As discussed earlier, the use of quantitative methods is not necessarily inconsistent with a constructivist paradigm and the use of an objective method of enquiry within a positivist paradigm was not ruled out when considering the methodology if it would result in an improved understanding of the research question (Willmott, 1993, Woods, 1992). Following from the work of Eisenhardt (1989), consideration was given to using quantitative methods to test the tentative theoretical model(s). However, the strength of the emerging model is not its ability to reduce and simplify the phenomena being observed but is in its potential to provide an understanding of their complexity. Additional research of the technical literature added to its explanatory ability, a process called *discovering theory* when applied to grounded theory (Wildy, 1999, p. 67)

Fig 2: Research Design Framework



3.7 BACKGROUND INFORMATION TO THE STUDY

Supporting evidence was gathered from organisational documentation including annual and other reports, and plans. The information assisted in understanding the context of the differences that were found in the responses of participants in the study, and to validate their comments about the availability of PI. In this study the supporting evidence was particularly useful to explore, describe and explain the observations and seek answers to the 'how' and 'why' questions of the study (Yin, 1994, p. 9, Parry, 1998)

This study is a grounded research study and drawing data from local governments of differing size, and demographic composition contributed to *triangulation*, as discussed earlier in this chapter.

3.8 THE INTERVIEW

The method of data collection should be suitable for the particular research problem and possible within the constraints of the resources available (Chadwick, 1984). The advantages of interviews are that they allow data collection from relatively large numbers of people, can be used to gather retrospective information, and to obtain information about people's attitudes and beliefs which is difficult to get by any other means (Chadwick, 1984).

There are disadvantages in their use. It is virtually impossible to test for cause and effect relationships. As a result the method is weak for the testing of theory. The depth of information obtained is less than that achieved if participant observation is used (Chadwick, 1984, Bryman, 1988). Other limitations are:

- bias resulting from the involvement of the interviewer in the process;
- the inability of the respondent to provide certain types of information and
- memory bias or selective memory (Whiteley et al., 1998).

However, there are differences in the use of interviews for quantitative as opposed to qualitative research.

Whiteley, et al (1998) state that the research interview within a constructivist position may be viewed as an act of 'ideal speech' in which the interaction between participant and researcher is not one of observer and subject. In a positivist approach, it is argued, that language is simply a medium of communication, whereas in a constructivist position the researcher and participant are engaged in a process of gaining understanding through an appreciation of one another's point of view. Fontana and Frey (2000) describe this as 'empathetic' interviewing, which is contrary to the scientific image of interviewing based on the concept of neutrality, which they say is largely mythical.

The interview, in qualitative research is a way of "getting inside" the thoughts of the subject (Whiteley et al., 1998). Drawing on the work of Brand, the writers argue that the interview does not draw on explicit knowledge, but takes place within non-explicit taken for granted notions. They go on to explain that in an interview, understanding of the issue will take place within the frames of reference of the participant and the interviewer, and the interviewer must be both willing and able to pursue the emerging meaning, 'reading between the lines' if necessary.

3.8.1 Types Of Interview

There are a number of different types of interview. They can be structured, unstructured, or individual or group (Fontana & Frey, 2000). Patton (cited in Whiteley et al., 1998, p. 12) identified three qualitative interview types, the informal conversational interview, the general interview guide and standardised open-ended interviews.

This study did not have a hypothesis as its starting point and was of an exploratory nature seeking an insight into the use of performance information in local government accountability processes. Semi-structured interviews are

best suited to this type of research (Chadwick, 1984, p.104). The research used both individual interviews and a focus group. Both approaches are face-to-face methods of gathering information that allow spontaneous construction and reconstruction of realities (Whiteley et al., 1998). Structured interviews use a set of predetermined questions, whereas exploratory interviews have little concern for asking specific questions. Between the two extremes are semi-structured interviews that include specific questions that are asked in a largely open-ended format (Chadwick, 1984).

The interview questions were developed and trialed with two volunteers, one being a local government employee, and one who was not. The trial helped to refine the questions to improve their meaning, and to keep the interview within the time frame, agreed to by participants in the research, of forty-five minutes to one hour.

The same basic questions were used for each of the interviews (appendix 7). However, the interview approach was adapted for the different research contexts that were encountered to maintain the rigour of the interview in each setting, taking into consideration the paralinguistics, proxemics, gender, status and timing of the interviews (Whiteley et al., 1998, p.183, Kvale, 1983,p.177). The interview questions were not used in strict order as participants often talked about matters that crossed over into subject matter relating to another question and were allowed to continue to talk freely.

It was necessary to build a strong rapport with the participants to avoid problems with purposeful misinformation (Chadwick, 1984, p. 23) and to achieve the goal of understanding (Fontana & Frey, 2000, p. 655). However, care was taken to keep an appropriate personal distance from the interviewees and maintain objectivity, while also ensuring that objectivity is not put before the human side of the relationship (Fontana & Frey, 2000, p. 662).

3.9 THE FOCUS GROUP

Historically, the use of the focus group for critical research declined as other methods of data collection became more popular. However the focus group has reappeared in recent years as the paradigm within social sciences has moved toward qualitative, postpositive approaches (Lunt & Livingston, 1996). There are a number of approaches to the use of the focus group (Byers & Wilcox, 1991, Fontana & Frey, 2000, Lunt & Livingston, 1996). Byers and Wilcox identify three theoretical approaches:

- exploratory – to seek prescientific knowledge to operationalise constructs and hypotheses;
- clinical – to explore areas which are not amenable to self-report tests or direct observation; and
- phenomenological – to experience the ‘flesh and blood’ of the participants in the research. Creating a simulation of the real life interaction between people may do this.

In this research it was *exploratory* and *clinical*, seeking prescientific knowledge because of the difficulty in observing the phenomena. The focus group method was chosen over individual interviews to gain data from the non-activist resident group (see explanation of this group under data sampling) because it offered the following advantages (Byers & Wilcox, 1991, Fontana & Frey, 2000):

- release of inhibition by participants;
- greater flexibility than individual interviews;
- improved time effectiveness; and
- interpretability of data is better as reasons for holding particular views are made clear.

There are several disadvantages in the use of the focus group but, in the context of the research for this study, the principal ones were “group think” and the domination of the discussion by one or two individuals (focus group run sheet and guide form appendix 8). The moderator ensured that all

participants were able to put forward their personal views without intimidation to guard against this. Using the template constructed by Poole and McPhee, Byers and Wilcox (1991) assert that the focus group method fits with the grounded mode of inquiry, the data analysis approach used in this study.

3.10 DATA COLLECTION

3.10.1 Participating Local Governments' Profiles

The first local government was a relatively large metropolitan local government being in the top six within Western Australia in terms of population, budget and staff numbers. This will be referred to as LG Large. The second local government is in the mid range on the same three factors and again is in the metropolitan area. This will be referred to as LG Medium. The third local government is in the outer metropolitan area having both an urban area and also covering a large rural area. It has a relatively small budget, population and workforce compared with the majority of metropolitan local governments. It will be referred to as LG Small

Table 2 provide information about the local governments at the time of the study. Figures have been rounded to protect the identity of the participating local governments.

Table 2: Statistics Of Participating Local Governments

Local Government	Population	Area Sq Klm	Annual Expenses \$mill
LG Large	90,000	50	55
LG Medium	30,000	40	30
LG Small	13,000	1000	13

3.10.2 Data Sampling

As discussed earlier, participants for the research were chosen following a purposeful sampling strategy using theoretical sampling. The starting point

for this study was a *homogenous* group (Miles & Huberman, 1994) that would have similar experience in considering the performance of the local government. They were selected from a list of people who had taken part in a community engagement process for the development of a community plan in LG Large. The participants had agreed to take part in further engagement processes and were therefore considered to be receptive to an approach to take part in this study. People who had provided email addresses were contacted by email to see if they were willing to take part in the study and of the 16 people contacted six of them agreed.

The six people had all been involved with the local government in different ways in addition to taking part in the community planning process. There was a retired councillor; a member of a ratepayer group, a committee member of a community group, and the others had been active in lobbying the local government on specific issues. As a result they all had a reasonable knowledge of local government, and an active interest and concern for the community and the area in which they lived.

A common trait of the participants was that they were able to articulate their views well, and had firm views on specific matters. However, they were also open to discussion on matters that they had not given prior thought to, and would concede that they did not have the solutions to some of the issues they had concerns about.

The next set of interviews was with the senior managers of this local government. Because of the results of the preliminary analysis of the interviews of residents, which showed no interest in financial and efficiency indicators, it was decided that rather than question the managers on their use of information about the performance of the local government, they would be interviewed about what information they provide to the community and what they think the community actually want. This was to narrow the research question toward the findings from the initial analysis of the residents' use of information, consistent with the theoretical sampling approach of grounded

theory (Creswell, 1998) and the theory based typology of Miles & Huberman (1994).

Following the interviews of the managers, consideration was given to whether to conduct further interviews within the same local government. The interviews with the residents had discovered similar views with a number of important constructs supported by responses from all of the participants. As all of the residents interviewed had been directly involved in local government affairs they were classified as “activists”.

It was decided that the research should continue to focus on the *activist* group within another local government. Participants in the second group were chosen from a list of people provided by the management in LG Medium to apply the *snowball typology* of Miles & Huberman (1994), in which cases of interest are identified from people who know people who know cases that are information rich. The researcher telephoned people on the list to explain the purpose of the research and how the interview would be conducted. Only one person declined to be interviewed, not wishing to provide personal views about the local government.

The residents were again classified as activists and the data from the interviews strengthened the constructs from the earlier research, with some of them appearing to reach saturation. There was now the question of whether people outside of the *activist* group would have significantly different views. To explore this it was decided to interview “non-activists” from LG Large to elaborate on the initial analysis, and look for exceptions and variations. The *confirm and disconfirm* typology was applied to illustrate subgroups and facilitate comparisons of data sampling using a *stratified purposeful* typology (Miles & Huberman, 1994).

The difficulty for the researcher was finding residents who had not had a direct involvement with the local government and who would be willing to take part in the study. The following procedure was used to find people to take part in a focus group.

1. The local government generated a random list of names and addresses from its rates database, evenly distributed between each of its electoral wards.
2. The names and addresses for the 180 properties were reviewed to identify those in which the property owner lived at the address and therefore was a resident of the local government. This choice was made to maintain the focus of the research on residents of the area. Although non-residents have a legitimate stake in the performance of the local government, it is possibly different to that of residents.
3. Letters were sent to 60 addresses, evenly distributed across the electoral wards, explaining the purpose of the study and requesting they take part if they met the criteria of not having had contact with the local government other than for normal service delivery reasons. An expenses fee of \$40 was offered for their attendance and a reply paid envelope was provided to return their response.
4. The researcher telephoned each of the respondents to further screen them as being non-activists and to ensure they understood the purpose of the study and their involvement.
5. The initial mail out did not result in an adequate number for the focus group and an additional 60 letters were sent out.

As a result of this process seven people were found that could attend the focus group meeting on the evening it was scheduled. Two people did not attend resulting in five people taking part in the focus group.

The data from the focus group found that participants in the non-activist group held similar views to those in the activist group, further reinforcing the constructs that had been developed. It was therefore decided that distinguishing between activists and non-activists had limited value and, given the difficulty of gaining the participation of non-activists, there would be no further interviews of non-activists.

A small local government on the fringe of the metropolitan areas was chosen as the third participant in the study and, as with the first two, the management were asked to supply a list of potential participants. All of the nominated people took part in the research other than one person who was willing to take part but was not available for interview at that time and an alternative was found.

3.10.3 Profile of Participants

In a grounded research study it is necessary for the researcher to have rapport with the participants for them to disclose detailed perspectives of their views (Creswell, 1998). It was found that potential participants were concerned about confidentiality issues with one participant withdrawing from the research for this reason. To reduce the possibility of a perception that participants could be identified and to create an open and informal relationship between the interviewer and the participants demographic information was not collected. However, prior to or following the interview the researcher discussed their personal and professional circumstances and classified participants according to age, and gender.

Table 3 Profiles of Research Participants (Interviews)

	Activist	Non-Activist	Manager
Middle Age	6 female 7 male	1 female	3 female 11 male
Senior	3 female 1 male	3 female 1 male	

Key:

Middle age – participants judged to be between the age of 40 and 55 years

Senior: participants judged to be over 60 years.

Note: the senior group were all retired.

Table 3 shows the profile of participants. Eight of the activist group were male and nine female. Four of the non-activist group were female and one male, and three of the manager group female and eleven male.

The activist group included three people who had been councillors. A number took a keen interest in local government affairs and had become acquainted with elected members and managers as a result. Most of the remainder were members or past members of resident groups and one was a former State Government Member of Parliament.

The non-activist group had not been involved, formally or informally, in any activities involving the local government other than those relating to its normal services. However, they were people that took an interest in community matters and were knowledgeable about local government affairs. In that respect it is unlikely that they were representative of all the people that would make up the broader non-activist group. The problem for research of this type is that people who are not interested in local government or community affairs are unlikely to take part in the research. This is not a concern for this research as it is a purposeful sample, and in seeking answers to the research question relating to the use of information about the performance of local government, it is reasonable to assume that a person who uses the information is also a person actively involved in, or at least interested in, local government and community affairs. The participants commented on their perception of the people that did not take an interest in local government affairs and this was used in the development of the emerging model that resulted from this study.

3.11 DATA ANALYSIS

3.11.1 Developing Theory From the Data

The analysis was interpretive to support the ontological and epistemological perspectives of the study and to achieve its research objectives that include both explanation as well as looking for sequences and regularities that link

the phenomena together (Huberman & Miles, 1998, p.188). Theory generation took place through an iterative, non-linear, cyclical process and initial mid-range theories were tested through further data collection and triangulation of findings (Gioia & Pitre, 1990). The interpretive procedure calls for analytic induction and using the grounded theory research approach (Huberman & Miles, 1998, p.186).

As discussed earlier, “emergence” is a core part of grounded research (Whiteley, 2002) and a grounded theory is one that emerges from and is grounded in the data (Creswell, 1998). It requires creating initial categories from the data followed by further data collection and analysis to refine the categories and build the model or theory. The interplay between data collection, data analysis, and theorising is known as the ‘constant comparative method’ which, as discussed in relation to the notion of validity, is asserted to be a source of research rigour (Silverman, 2000, p. 79, Ryan & Bernard, 2000, p.783, Glaser & Strauss, 1967).

A further advantage of the grounded research approach is its ability to be applied to both macro and micro level issues (Miller & Fredricks, 1999). This was of particular importance in this study that has as its starting point a relatively broad field of study for reasons already explained in Chapter 1. It allowed the research topic to be narrowed as the emerging constructs provided opportunities for the research to take different directions without the need to alter the research methodology.

This research started with a broad focus and during the course of the study was narrowed to focus on residents. It was not therefore strictly within a business setting. However, as much of the study was with the “activist group” and managers, the arguments put forward by Whiteley (2004) do apply. The degree to which they do is, as Whiteley (2004, p. 29) says, a matter of judgement. The whole issue of stakeholder communication and performance reporting provides a framework and has its own language and in the opinion of the researcher is as constrained as the business setting. For this reason, as discussed earlier, the method of research chosen was

grounded research rather than grounded theory although, as will be discussed later, the method of analysis employed closely followed that of grounded theory.

As has already been stated, the researcher is a practitioner in the field, and therefore began the research having some theoretical insights in the field of study. This in itself is not detrimental to the study and, as already stated, is, according to Glaser and Strauss (1967), a prerequisite to starting the study. However, in this case it was not possible for the researcher to ignore previously held assumptions, and there is the possibility that they may have influenced the development of constructs and the model that emerged. It also has benefits in developing theory that is of benefit to the industry. Trim and Lee (2004) discuss reflective practice as being a particularly intimate mode of research aimed at improving practice through systematic critical enquiry. They argue that in a globally connected world the use of a critical professional community is a potential strategy for enhancing research. They say:

Academic researchers have no choice, but to think in terms of the way in which a university can form partnership arrangements with industry and thus develop more rapidly, practitioner type theories that can be reinterpreted from an academic standpoint. (Trim & Lee, 2004, p, 47)

3.11.2 Data Capture and Management

The importance of 'verbatim' transcripts of interviews is widely understood (Poland, 1995). With the consent of the participants, interviews were recorded using a digital recorder that provided superior quality compared to tape recordings. As a result, the transcriptions were extremely accurate with few words that could not be deciphered. The researcher transcribed the first six interviews to assess the requirements and then used a transcription service for the following interviews. The quality of the transcriptions was assessed by random checks of sections of the interviews, comparing the recording with the transcription.

The use of computers to capture data has in the past required accepting a loss of the richness that is possible with annotated paper records. However, software such as NVivo or Atlas for data management has provided the ability to combine coding, rich text and the ability to “thread” the information together using Node Links (Richards, 1999, p.110). NVivo was used to capture and manage the data. The initial coding created 35 free nodes and one tree node made up of 12 concepts relating to the use of performance information. The concepts were explored with the assistance of models built in Nvivo and further explored using Decision Explorer.

To maximise the portrayal of the full flavour of the interview, notes were made about the interview and the participant to capture the tone and context of the interview (Poland, 1995) and a journal maintained to record thoughts and insights during the course of the study.

3.12 THEORY BUILDING

3.12.1 Coding

Within the sociological traditions there are two kinds of written texts:

- words or phrases generated by technics for systematic elicitations;
- free-flowing texts, such as narratives, discourse, and responses to open-ended interview questions (Ryan & Bernard, 2000, p. 769).

Coding is the technique used in grounded research for free-flowing text analysis and forces the researcher to make judgements about the meaning of text. Coding was used to identify the concepts and categories from the text and link them to form a substantive and formal theory. The original formulation of the method was developed by Glaser and Strauss (1967), but later works are easier to read and more practical (Ryan & Bernard, 2000, p. 782).

The process used in this study for coding the data is that developed by Strauss and Corbin (1998). The first step was the microanalysis of the data

in a line-by-line examination looking for meaning and identifying concepts, which, according to Strauss and Corbin, are the *building blocks of theory*. Open coding was used to identify the concepts and their properties and dimensions.

The concepts formed the foundation of the analytic method representing the first impressions and understandings of what was being described and a means to grouping and organising data. Initial coding was at a basic level of abstraction. The concepts were then placed into categories that described the phenomena that depict the problems, issues, concerns and matters of importance to the participants within a more abstract explanatory term than the initial concept forming a higher level concept (Corbin & Strauss, 2008, p. 52). In this study the purpose of the coding was to generate theory and not to validate it (Whiteley, 2004, p. 23, Dey, 2007, p. 185). It was therefore acceptable to form the concepts using terms currently common within the field being studied (*literary terms*), or using labels for the concepts derived from the words used by the participant (*In vivo* coding). However, care was taken not to fit the data to preconceived concepts and in many cases the use of industry terms such as accountability occurred by renaming the code as it became evident that the data was of relevance to this concept.

The *open coding*, according to Straus and Corbin, allows the data to speak and jolts the researcher out of his or her usual mode of thinking. As categories are formed the researcher asks theoretical questions and in so doing begins the process of theory development. In the classical approach to the grounded theory it is essential to avoid preconceptions and to let the categories 'emerge' from the data. Ian Dey (2007) makes a strong argument in favour of using existing theory to ground the emergence of categories. He argues that, in addition to ensuring that the concepts used are meaningful ways of interpreting the data, when we develop categories we need to take account of their theoretical underpinning and implications as much as their efficacy with regard to the data. The *properties* of the category are the general or specific characteristics or attributes derived from further analysis of the concepts, and the *dimension* of the property is the variation that can

occur, determined by comparing where different participants are located along it. Free nodes are examined to identify their properties in preparation for the axial coding process.

The next step in the coding process is axial coding which is used to link categories through their sub-categories. The links provide a structure to the categories and help to explain why the phenomenon is present, and also uncover the process that is taking place, contributing to an understanding of how it happens and the events leading up to it. The final step in the coding process is selective coding which is used to integrate and refine the categories to form a theoretical scheme. A list of the Tree Nodes is contained in Appendix 8

The researcher needs to build sensitivity to the meaning in the data. This requires having insight into, and being able to give meaning to, the events and happenings in the data (Strauss & Corbin, 1998). The researcher needs to see beneath the obvious by making comparisons, asking questions and collecting more data. Denzin and Lincoln describe the constant comparative method as comparing different people, data, incidents, data with category and category with other category.

As discussed earlier, the researcher is a practitioner in the field and there is the possibility that the theory would be influenced by pre-existing beliefs. Care was taken to 'bracket' (as discussed earlier in this chapter) the research while being cognisant of the benefit to be gained from developing theory that is of relevance and benefit to the industry. As the categories emerge they are given headings using terms familiar to the topic under investigation and they are refined using field research to fill the gaps that appear in the data or the logic of the theory. Data gathering is based on making comparisons from places, people or events that maximise the opportunities to discover variation among the concepts and to densify the properties and dimensions (Strauss & Corbin, 1998).

3.12.2 Memo Writing and Diagrams

Memos are written records of analysis and may vary in type and form. This is the intermediate step between coding and the first draft of the completed analysis (Denzin & Lincoln, 2003, Strauss & Corbin, 1998). Memos and diagrams help the analyst to gain analytical distance from the material. This is of particular importance in this research given the relationship of the researcher to the research subject, and assisted in allowing the constructs to emerge from the data.

Memos and diagrams vary depending on the research phase. During open coding a variety of types of memos were kept to orient the coding; to form preliminary theoretical positions; form new categories and identify new phenomena. During axial coding “relationship nodes” were used to fit the categories together according to their properties and dimensions. At this point diagrams were used to model relationships leading to the selective coding to identify the core category and the relationship of other categories to it. Memo links were created to 31 nodes, and 106 relationship nodes were used to link the nodes through their dimensions.

In this research they were maintained and managed within NVivo that assisted in keeping them orderly, progressive, systematic and easily retrievable to allow sorting and cross-referencing. Decision Explorer software was used to map the relationship of the concepts.

3.13 NARRATIVE FORM

The narrative form is intrinsic to the research methodology. Common to all narrative forms are choices about the audience, encoding, the use of quotes and the authorial representation of the researcher. Theory denotes a set of well-developed categories that are related, forming a theoretical framework that explains a phenomenon. The theory is built using an overarching concept that, taken together with other concepts, explains the what, how, when, where and why of the phenomenon (Corbin & Strauss, 2008,p55).

Using NVivo it is possible to maintain a trail of links from the statements of participants through the concepts to the categories, providing a rich description in their own words to be presented in the narration.

Similar to the meta-grounded theory approach of Helen Wildy (1999), the analysis moves backward and forwards between the data and the literature to arrive at theoretical constructs. The outcome of this study was the development of an emerging model that provides a framework for understanding residents' use of PI in relation to accountability and to explain the what, how, when, where and why of their actions in particular circumstances.

3.14 QUALITY OF THE RESEARCH

Corbin and Strauss (2008, p. 305) present ten criteria by which the quality of research findings may be judged:

1. Fit – do the findings resonate/fit with the experience of the people that the research is for and with that of the participants of the research?
2. Applicability – do the findings offer new insights that can be used in practice?
3. Concepts – are the findings organised around concepts that can be readily understood?
4. Contextualisation of concepts – is there description and explanation of the conditions that affect the phenomenon?
5. Logic – is there a logical flow of ideas that make sense to the reader?
6. Depth – do the findings contain a sufficient level of richness and variation to make a difference in practice?
7. Variation – do the findings reflect the complexity of real life and show differences along its dimensions and properties?
8. Creativity – does the research say something new and is it presented in a creative and innovative manner?
9. Sensitivity – was the analysis driven by the data?

10. Evidence of memos – is there evidence of the use of memos in the analytical procedure?

The degree to which the emerging model developed in this study met the criteria can only be determined as the model is used. Proposals for future research will, if taken up, test this, as will potential uses of the model by people working in the field of local government.

3.15 ETHICS

Confidentiality was maintained by restricting access to the original transcripts and recording to myself as the researcher. The data were kept secure during the research period following which it will be kept in a locked cabinet for five years on the premises of the Curtin University Graduate School of Business. Any comments or information provided by interviewees on an “off the record” basis have not been reported and comments by an interviewee were not disclosed to other interviewees.

Ethical issues exist in relation to both the individual and the organisation. There were differences in opinion of managers within a local government, and in some cases information and insights into the organisation were critical or contradictory to that provided by other people within the organisation. Some of the participants made it clear that they did not want their statements to be made public.

Because of the participation of humans in the study it required approval of the Human Research Ethics Committee prior to commencing the research. The research was categorised as “minimum risk” requiring the approval of the Curtin Graduate School of Business Minimal Risk Ethics Committee.

Confidentiality has been maintained by giving each participant a code name. Only the code name is used in the analysis and in the data records to be archived. Considerable care has been taken to ensure

that quotes cannot be attributed to a particular person and used to identify them. The quotes used in this document to support the analysis and theory have been screened to remove any identifying statements

Ethical considerations were based on principles proposed by AARE/AVCC/NHMRC. The welfare of the research participants took precedence over the interests of the researcher. In conducting the research care was taken to ensure participants were well informed, had given their permission, and were confident that their privacy and confidentiality would be maintained. All the participants received an information sheet and signed a declaration that they understood and agreed to the process before the interview. A copy of the transcription was sent to them for comment before it was used.

CHAPTER 4-RESULTS

4.1 CHAPTER INTRODUCTION

The results chapter uses the voices of the participants to convey their beliefs with minimal comment by the researcher. The principal role of the researcher has been to categorise the comments of the participants and to build sensitivity to the meaning of the data. As described in Chapter 3, the approach of Strauss and Corbin (1998) was used to analyse data. This involved the data being coded into categories and existing theory used to ground the emergence of the categories (Dey, 2007). Axial coding was used to assist in merging the original categories contained within the Free Nodes in NVivo into six Tree Nodes representing the categories found in this research. This chapter presents the findings at this level. Further analysis and consideration of the categories through selective coding resulted in an emergent model. This is discussed in Chapter 5 in relation to the literature on the phenomena and the theoretical framework that emerged (Strauss & Corbin, 1998).

The findings are presented in this chapter under the six core category headings:

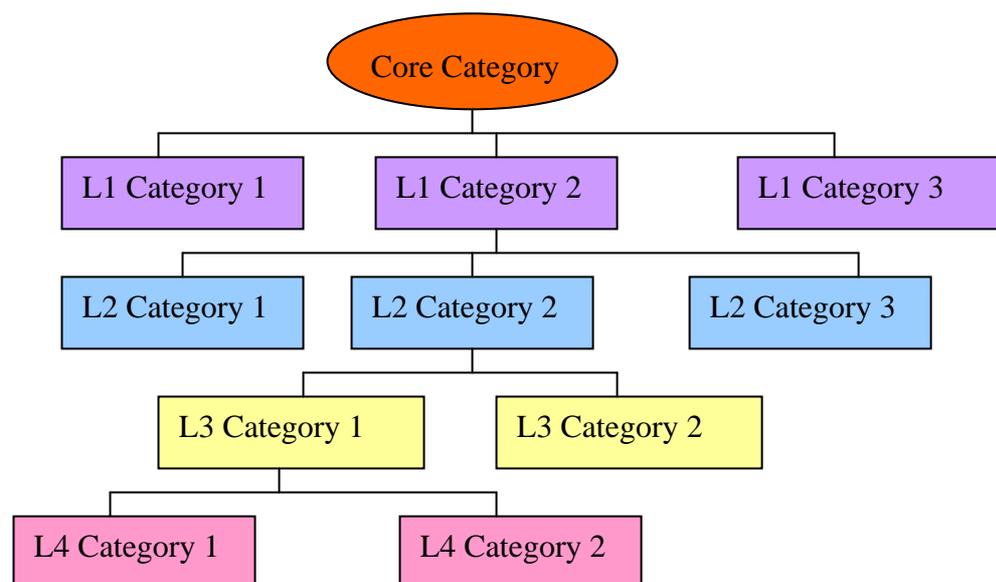


It will be seen that there is an overlap of content between the categories as attempts to create a clearer division between them was abandoned because it was found to reduce the richness of the discussion that takes place within each of them. For example, while there is a category Community Engagement that contains comments about how the community is, or can be, involved in decision making, it is a concept that also runs through the other categories with, for example, participants' commenting about community engagement in relation to accountability. Each of the categories are presented as the core category for the information that came together to develop a meaning of particular relevance to this study. The core categories are made up of categories of meaning built from the initial concepts identified in the coding process and exist in four levels of meaning under the core category. Appendix 9 maps all of the categories and their components.

4.1.1 How The Results Are Presented

The results are presented within the category headings starting with the core category and then describing the categories of information below it. To assist the reader to keep track of the linkages the level is notated in the heading according to the structure shown in Fig 3.

Fig 3 Structure Used to Present the Results



4.1.2 Terms used in this section:

Activist Group – residents who participated in this research that had been actively involved in local government affairs.

Non-Activist Group – residents who participated in this research that had stated that they had not been actively involved in local government affairs.

Residents – both activists and non-activist groups that participated in this study.

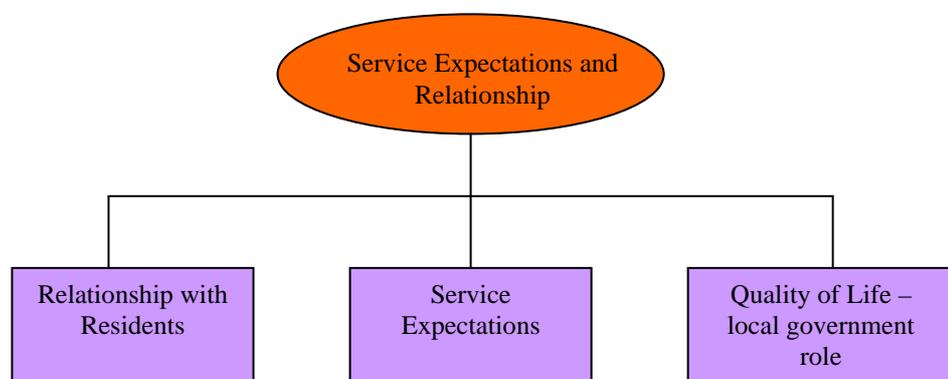
Community – people who have a common interest in a local government matter including, but not confined to, people who live in the local government area.

Managers – the local government employees that participated in this study, consisting of senior managers and chief executive officers.

4.2 CORE CATEGORY - RESIDENTS' SERVICE EXPECTATIONS AND RELATIONSHIP WITH LOCAL GOVERNMENT

The Core Category contained three L1 categories.

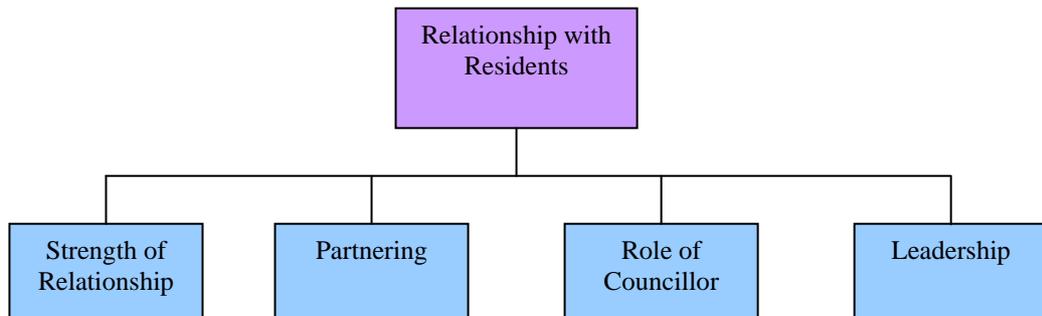
Residents Service Expectations and Relationship With Local Government



4.2.1 L1 Category: *Local Government's Relationship With Residents*

The category contains four concepts and two sub-concepts.

Local Government's Relationship With Residents



L2 Category: *Strength of Relationship*

The managers of Large City and Medium City believe that overall the local governments have a good relationship with the residents.

The relationship? In the broadest terms, I think the City has a strong commitment to building good relationships with the community// I believe overall it is// But, I would say, our relationship with our community is a good one.// I think it's pretty good

However, not all residents were of this view.

The council wanted the money, so regardless of all our complaints and you had dozens and dozens of people signing and one thing and another, we were just overruled. It was the money that was talking.

The managers of LG Small expressed concerns about the relationship.

At the present time probably a bit poor. In previous years I think the relationship was quite good, but I think in the last year or two it has reduced a fair bit.// Very poor.

There were also more positive comments by Managers of The Shire:

In general from where my team work from we normally get good participation. If we send out something for comments, we get generally good feedback.

L2 Category: Partnering

Participants from LG Small, both managers and residents, commented about their participation and willingness to work together to achieve things.

No, I think they pretty much provide good information with what they do.// There are a range of committees ... So that relationship I believe is actually quite good

The ability of residents to participate in the affairs of the local government can also result in frustration and dissatisfaction with the local government when they do not achieve what they want to.

if a government or a local authority fails to properly include and recognize members of the community about issues of concern ... you create an environment which is not a collaborative one, but one of accusation and one of demand.// Some come as a last resort (referring to people who contact the participant about council matters)

L2 Category: The Role of Councillors

Councillors are seen as having a variety of roles and varying influence over decisions.

people tend to think ... that they are only in it for what they can get out of it. Now, basically, that is not true, but people's perceptions alter.// Council tends very much to be controlled by the officers rather than it being the councillors // When I first got on council, somebody wanted a footpath. So I went and said, 'Well, you now have a footpath. ... I had the mistaken idea ... that, you know, \$5,000 would probably (build

a) footpath in a street, in my innocence// The elected members should be that conduit between the council and the community

L2 Category: Local Government Leadership

Managers commented that the local government should take a leadership role in the community.

If you do nothing, don't blame them if they do nothing. The leadership of a community must lead and must lead in those ways; excite the population, attract them, invite them, engage them, and educate them, and take the time and money to do it for their own sake. // ... recent surveys have shown that the residents of the Large City are really looking for a vision for the city, and they don't believe it's there ... So I think the trust, the overall satisfaction is there, but there's clearly elements of concern coming through on where Large City is going, and that therefore is reflecting on the attitude of the community, the councillors, and might I add, the staff.

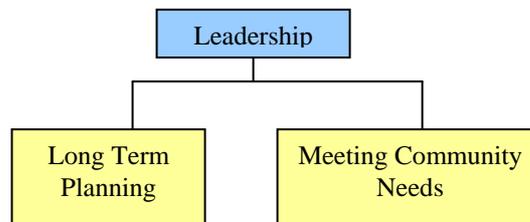
A number of managers commented that the local government has a greater understanding of some issues than the community.

Leadership, sometimes you are not going to get people knocking on your door to do things, say like environmental if you have environmental issues people are unaware that we are creating a debt today, but because of technical expertise which you as an organization may have within, or have brought in, you might be able to identify a problem well before the community has identified it,

There was support by residents for the local government to take a leadership role within the community.

They do have a leadership role within the community, and all local governments, all governments, because if they can lead by example, then I think the message will get in a little bit more.

The Concept of Local Government Leadership has two sub-concepts



L3 Category: Leadership - Long Term Planning

A manager of Large City articulated the difficulty for a local government to address the immediate concerns of the community, while balancing what they see as long-term needs and the demands of other levels of government.

you have to push 'em (the community), because we've got the state government up there saying that's what we want as well, so we're caught between... And you know, I just find myself sometimes up against a brick wall with the thinking (that of the community), which is for the moment and the day, and not really looking at the longer term.

The need for long term planning was a strong theme in comments by managers of The Shire.

I would say that it is mainly community services, community services planning, future planning and, yeah, the strategic planning, what happens with all the urban development and what happens to existing rural development.// I think good town planning decisions need to be made, strategic town planning decisions need to be made in terms of building communities.

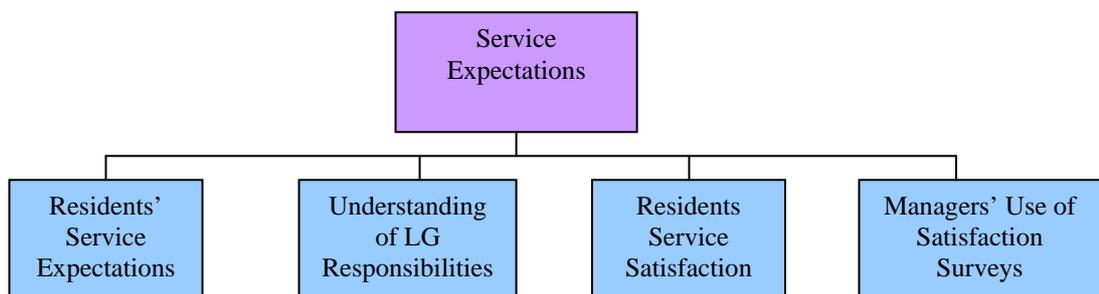
L3 Category: Leadership - Meeting Community Needs

However, there was also concern that the local government needs to constantly check that it is achieving what the community want and to have the capacity to change direction if it is not.

Checking; you know, some method for monitoring and checking, because so often it seems that a decision is made for a certain action, and then you're committed to that action, and nobody get to this point and goes, 'Oops', revise, re-think and remake the decision ... So, yeah, I think that monitoring at the end point is pointless, largely pointless, because it doesn't seem in the way that monitoring is done to be what we would truly call monitoring.

4.2.2 L1 Category: Service Expectations

This category contains four sub-categories, two concepts and two sub-concepts.



L2 Category: Residents' Service Expectations

The Activist group were very aware of the competing interests of residents.

But, yeah, I find the facilities for my needs; I'm sure it's not for everybody. Perhaps parents with children and youth would probably have a different story, but for my needs they're fine.// We have a very large shire with a very small amount of people in it. As a result, it's difficult to get things done with the amount of money that they have coming in.

The majority of comments about unsatisfactory service are about the inadequate level of service or too much money being spent on a service rather than the efficiency of the service.

Planning issues, redevelopment, park management and those sorts of things are more of the ones that I have issues with.// The Meals on Wheels a little while ago had deteriorated somewhat // ... Probably rubbish pick up has been poor// Our waste services I'm not so happy about because we only have two bins

Dissatisfaction with services arises from the expectations of the residents not being met, particularly when the local government make commitments they do not keep.

I would say the Rangers are under resourced given the numbers of people.// It seems to me it's up to the shire to write to those people and tell them to get those blocks cleared// I wish they would not promise what they cannot deliver.// I am wondering whether part of that is a little bit of lip service, you know, to be seen to be doing the right thing,... but provided they do spend it rather than just put it in the budget and come in under budget on that one.

L2 Category: Residents' Understanding of Local Government Responsibilities

Residents are not always clear about what local government responsibilities are.

I don't even know what their role is regards the traffic; I don't know if it - I just kind of feel if there are community complaints, then they need to be dealing with it. // ... the state governments haven't wanted to deal with them in the first place and they have very cleverly shifted the responsibility and the costs of managing that from the state to the local.// But, how can you know by just looking at a road who is actually responsible for it?// We just keep getting told it's a police

issue, but the police are going, 'It's not our problem,' and it's got to somebody's problem; someone's got to take control of it.

Residents understand there are limits to what their local government can do.

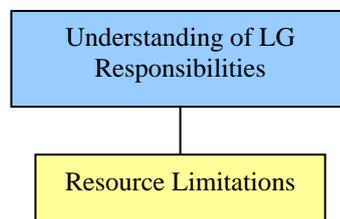
Well, again, I think that is the state that has to sort of step in and be far greater thing // in areas like this we have got river frontage. It is too big a burden for the council to carry out on its own.

However, both managers and residents believe there is a role for the local government,

lobby is a very important word and it has got to be done // but we are trying to encourage the state to make sure that our community is not disadvantaged.

Residents spoke of the need for the local government and state government to work together.

I am pretty sure all the council could do is stop the speed boats tearing around the place, the actual quality of the water, the outbreaks of the algae is got to be part of CALMS charter and the Swan River Trust.// No, what we are doing is we basically have two police forces. We have the state police force and we have the council police force.//



L3 Category: *Understanding of Local Government Responsibilities - Resource Limitations*

Residents of The Shire were aware of the limited resources it has.

Well, the shire isn't (doing it) because they haven't got the money. So what we're trying to get these groups involved in is applying for grants // The demands on officers here and the councillors themselves are now so great that with a self-imposed budget limitation you can't do anything else but either ignore or deflect enquiry from the public, or make excuses as to why you can't provide those services

The managers of The Shire acknowledged this.

We don't always have the resources to help them// Resourcing. I would say it is really a resourcing issue, and maybe ad hoc planning, being rolled over by the rush of development that occurred up to recently.

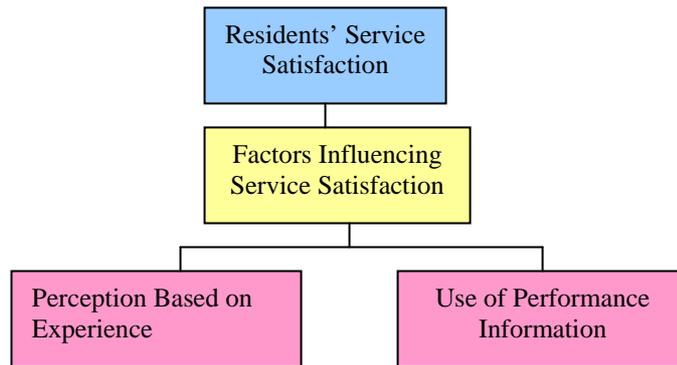
L2 Category: Residents' Service Satisfaction

Residents are generally satisfied with the level of service they receive from their local government.

If you look at the average service delivery type issues, I don't have too many problems with the basics, you know, if you think of things in terms of rubbish, street trees, verge, all of those sorts of things.// Oh, very happy, very happy.// Oh, excellent; I have no problems with it.// The services they do run seem pretty ok // ... the city efficiency of those services is mostly alright.

Dissatisfaction can be with the performance of the workings of the Council rather than the service.

At the moment I think we have a set of councillors that are far more interested in their own personal issues and confrontations with other councillors; there is not a lot of constructive work getting done.// I suppose they have got a responsibility to keep costs down. I believe the council was sold a pup.



L3 Category: Factors Influencing Satisfaction With Local Government Services

The capability of the administration is seen as being a major factor in the level of service provided.

Anybody can sit back and nitpick, but in the overall picture, I think that really our lives are considerably better because of the work that all the officers - - May I say mainly the officers// Well, yes, I think it's changed since (name of CEO) took over

Managers either felt that the community were satisfied with the service they received or, in cases where they did not, they thought the community were correct in having concerns about the level of service. However, they felt that they were constantly needing to overcome a negative media that contributes to dissatisfaction with service.

I might add, a very negative media market – the media is only interested in the bad things of local government – to try and get your message out is actually very hard. When you do, they say that you are only blowing your own trumpet.

Managers commented on the fact that trust is a significant factor in residents' perceptions about service.

So, yes, I think they trust us to deliver the bulk of our services// it appears that maybe the level of trust, the communication that we're having with them, the way we are doing things, our processes and that, perhaps aren't involving them enough.

A lack of trust can contribute to lower levels of satisfaction, particularly in relation to the Council.

fair bit of dissatisfaction between the community and the City of Large, and ... is lower for the councillors than it is for the staff, ...

L4 Category: Use of Performance Information

Residents did not use performance information to assess the efficiency of the local government in delivering services.

I think it's a fairly subjective assessment based on our experience// There are a few, a few recalcitrants, you know that want to argue differently, but they don't sustain it. They can't give you the facts and figures.// Yes, there are some areas that have been expensive. I have yet to have it explained to me, the Sister City situation.

L4 Category: Perceptions Based on Experience of the Service

Residents were found to judge the local government's effectiveness in service delivery based on their own experience of the service.

But, yeah, I find the facilities for my needs; I'm sure it's not for everybody// The services they do run seem pretty ok.// Oh, excellent; I have no problems with it.// I think it is a good community to live in.

L2 Category: Managers' Use of Surveys to Determine Satisfaction With Service

Managers used surveys to determine if residents were satisfied with the service they receive and their overall quality of life.

Our scores in that are usually very good, // I would answer it by saying that our customer surveys have shown that we have scored very high in customer satisfaction over the last couple of years // justified by the surveys, they are fairly well satisfied with what the council provides // ... when you get some of the feedback we've had from surveys etcetera that we've done, I mean they tell us that the community is happy with what we do. They are happy with where they live, they are happy with the services that are provided. They appear to be generally a fairly content community which is usually a pretty good sign that they are happy with what we are doing

Community surveys also highlight areas of dissatisfaction.

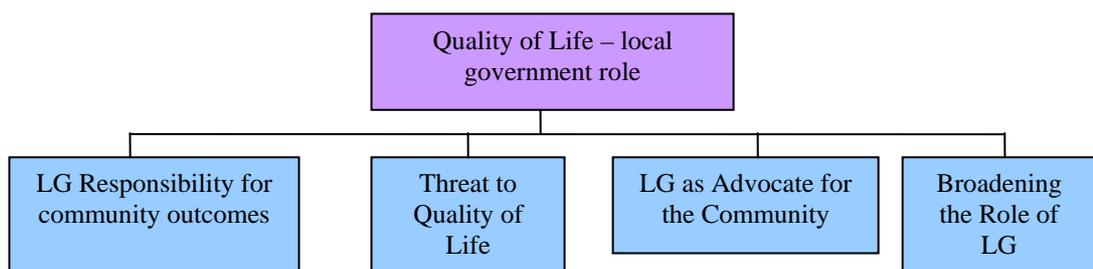
fair bit of dissatisfaction between the community and Large City, and there is ... the community expectations of the councillors is lower than the results, what they're saying about us is lower for the councillors than it is for the staff, so it's not a very good relationship as perceived by the people out there.

This was a significant problem for The Shire

Our recent survey that we got briefed on last week didn't come back in very well at all. A lot of areas over the last two years have dropped down, some of them quite significantly.

4.2.3 L1 Category: *Quality Of Life – Local Government's Role*

This category is made up of four level 2 categories and six level 3 categories.



L2 Category: Local Government Responsibility For Community

Outcomes

There was a strongly held view by residents that the local government played a significant role in the overall quality of life of the residents.

The issues we're interested in are the quality of life and the larger environmental issues which have to be bigger than our own patch // there's another lady further down my street who's extremely active in asking the council to solve her problems all the time ... But, if you asked (about) her interaction with council, that's what she would see as its strongest role is, make it secure in her house.// I'm particularly interested in both the maintenance of and an improvement of the environment where I live.

The research found there was strong support for the local governments to play a role in influencing broad community outcomes.

I think if you lived near XXXX Highway, you would probably think that the council should try and do something for you ... the noise is awful // Oh, it's the most important thing; it's the most important thing. They shouldn't be doing anything that they don't look at those three aspects (social, economic and environment) and be absolutely certain it's going to leave the world better.// You know, trying to play that balancing role really between the interests of the shire and the bigger picture.

L2 Category: Threats To Quality of Life

There were also strong concerns, particularly by the activist group that their quality of life was under threat.

In the 1960's the kids came into your house // You don't know the itinerants or the people in the rented accommodation now. Most of the time they don't stay there; they are maybe there a year and then they move on.// Antisocial behaviour is coming to the fore ... it will detract

from my quality of life in that I'm going to be frightened in my own home. // I've watched the crime increase and the over population of the amenities, over use of on street parking, social unrest, social crime, noise pollution, and the list goes on // There's over use of local amenities

This is largely blamed on the urban infill that is occurring.

The leaning now is towards development in the city. // The planning is starting to worry me... that our lifestyles will deteriorate. // Because your neighbours are now close to you there is less privacy. All of those social ramifications we talked of earlier in terms of infill. // There have been studies that urban development has that negative influence on the downstream flora and fauna as well as whatever, the water quality and erosion.

L2 Category: Local Government As Advocate For The Community

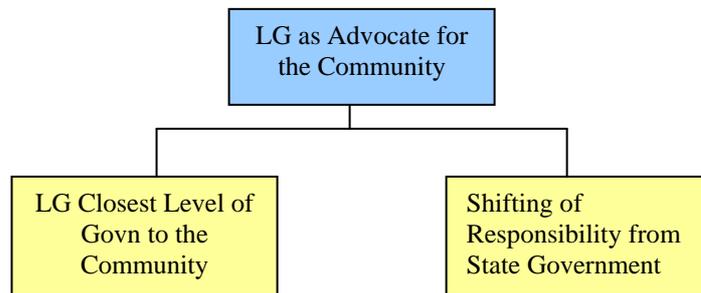
Residents commented on the need for the local government to lobby and advocate for outcomes in the community that it cannot deliver by itself

I think you can do that through representation on regional boards // No, I think they should be an advocate for the shire in that. That's what I would like to see them as – an advocate for the interests of the people within the shire who are affected by those larger issues.

Managers also discussed the role of the local government in achieving broad outcomes beyond its direct influence and to be an advocate for its community.

Obviously it is about facilitation of outcomes. Products and service lines that you run are only to try and achieve an outcome // Even though the council might not control that, they can act as a lobby group or whatever to lobby the relevant authority or state government agency to assist in the goal of the organisation.// Maybe we can't

necessarily influence directly some of the outcomes, but we have a role to advocate on behalf of this community or facilitate other organizations or government departments to take responsibility or work together or do whatever // I think it has an advocacy role for the community to other levels of government, and a leadership role to their own community.// So, again it is facilitation, advocacy; you know, really what you do as a local authority is in a lot of cases trying to deliver sustainable outcomes.



L3 Category: Local Government As Advocate - The Closest Level of Government To The Community

Local government was seen by residents as being in a better position to understand the needs of the community on many issues than other spheres of government.

... local government is at the "grassroots" level of government and should be responsive to residents // Yes, I think local government more, because local government as it was originally intended was grassroots and apolitical.

Managers held the same view, and also commented that there is an expectation by the community for it to fulfil a broader role including taking responsibility for services it has not traditionally been involved in.

I don't think that we can rely on state government or federal government to do that for us. It comes down to local government. It starts in your backyard and local government is absolutely set up - - Not 'set up', it is the right place.// Definitely! And I think we are

probably best placed in many ways to do it. ... So I think our community is fairly accepting of that and expect us to do it and ... I don't think there is any backlash against us doing that, something which is probably a non-traditional local government role.

There was some indication that there are limits to what will be supported by residents.

Well, attracting businesses - - I don't think that council should get overly involved in the question of employment // I think there are some statutory functions that should belong with the state government.// I think there are some things that are just beyond a council's brief and there are those kinds of things that should be considered as part of the wider context. I think councils should stay out of it.

L3 Category: Local Government As Advocate - Shifting Of Responsibility From State Government

The local government is also subject to decisions from the State Government.

... compliance issues are also picking up a huge amount of cost shifting or carrying out the functions of state government, // I think it is becoming our role anyway, without getting the resources that go with it. // What the state has done is, through its own agencies and individual pieces of legislation, has shifted responsibility and costs to local government. // ... the shire were dead opposed to it, but of course in the end steamrolled ...

L 2 Category: Broadening The Role Of Local Government

The services provided by local government are strongly influenced by the demands of the community and the focus on outcomes means there are no limits to the services the community will demand.

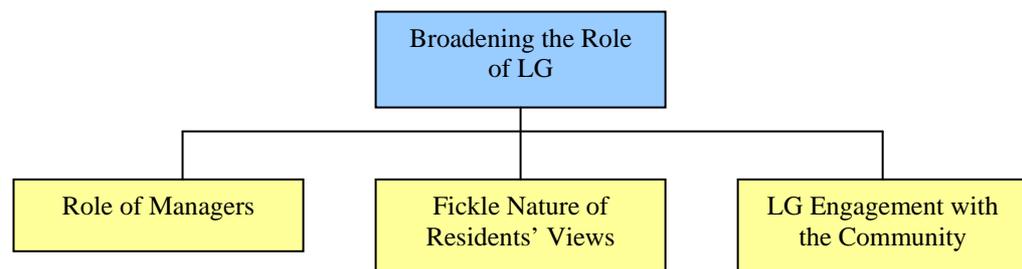
Well, I think you'll find that most services will come about by a push by the ratepayers. I mean, how far do you go with some of that stuff, because the community is expecting you to be heavily involved if it is not getting the outcomes it wants? And there is a real risk associated with managing some of those expectations.

It was believed that councillors are strongly influenced by this.

Councillors do not like pain, so it is much easier for them to say, 'Leave it in the products/services mix' making it, you know, less cost effective organisationally – it costs more in rates to run – than having the political pain of being attacked at election time from a group that believe that that was the wrong outcome.

As a result managers in local government are becoming more focussed on achieving the outcomes the community want.

We have just done a community facilities and services plan, and we have divided it up into locations and done some public consultation with them ... and all of our programmes will be lined up to deliver that stuff and at the end of the day if it happens in the way that the community has described it that's the measure of our performance.



L3 Category: *Broadening the Role of Local Government - Role Of Managers*

While the community may be the primary source of demand for services, managers can play a significant role in decisions about what is done.

It is my conscience basically to say, 'I have to push that.' I could probably start a fight with the Department of Water and say, 'No, we are not going to do it.'

L3 Category: *Broadening The Role Of Local Government - Fickle Nature Of Residents' Views*

The challenge facing local government seeking to represent the views of its residents is exemplified in a discussion by the non-activist group. The discussion followed a question by the facilitator of the focus group asking if the local government has a role in mitigating greenhouse gasses. It can be seen from the dialogue that took place that while residents may express strong views on a complex issue such as climate change they may be based on limited understanding of the issue and when faced with new information change their position.

Person 5: Oh, yes, everyone should; yes, very much so. Nobody should have no – they all have to.

Person 4: If everybody should stop producing greenhouse gases, okay, what affect do you think it is going to have on the climate?

Person 5: On the climate?

Person 4: If everybody stopped producing greenhouse gases - -

Person 5: I don't know that we would see a lot of difference in the beginning.

Person 4: And how long do you think it is going to take?

Person 5: I don't know; I really don't know, I'm not a very clever - -

Person 4: In actual fact it is unlikely to make a tremendous amount of difference.

Person 5: But I tell you that my daughter - -

Person 4: I mean you come from Europe, don't forget that Europe was at one stage a forest, a tropical forest.

Person 5: Yeah, I know; not tropical.

Person 4: And at another stage it was completely covered by ice. Now, there were no people around at that time producing greenhouse gases, and it is going to come back.

Person 2: It is just nature.

Person 4: Right.

Facilitator: The issue I am raising is not what is right about greenhouse gas, but does the council have a role on those sorts of issues where it doesn't have direct control? So it can't say who can go along XXXX Highway, it doesn't control everything to do with greenhouse gas, but should they play a role and take an interest in it?

Person 5: I believe so.

Person 2: No, I don't think so.

Person 5: I believe that everybody should help...So we all have a role to play in it; from little kids to as old as we are.

Person 2: I felt exactly the same as you, but now the scientists are popping up saying – and I think you are saying the same thing – that it is a period of nature changes, so it is sort of beginning to change.

Person 5: Yeah, it is possible, but we don't know exactly; nobody knows exactly.

L3 Category: Broadening The Role Of Local Government - LG Engagement With The Community

The managers of Large City commented on the evolution of community consultation.

Large City, who are now more used to being consulted with in the process of determining the design of a park, a concept development being prepared. They would expect to be given the opportunity to express an opinion. // It has virtually got to be a community engagement process, looking at the issues and keeping people in the loop from the start of the project to the end of the project. // I think it is currently looking at increasing its level of engagement trying to move from a model of just consultation on issues and projects, sometimes in a reactive way, to looking at what I would call authentic community engagement. Moving beyond a policy which says in all circumstances we will consult and listen to the views of our community, and this is the way we are going to do it, to a more philosophical framework of the reasons why we want to do it, ... knowing that it will create better relationships and trust and all that sort of stuff.

Similarly the managers at the Shire commented on their efforts to engage the community on broad outcomes but cautioned about the tendency for members of the community to want to discuss more personal or local concerns.

I think we should try and engage the community in as many things as possible and as much as we can.// This council has a long history of, I

think, good community consultation on planning issues, strategic planning issues, but I have been to quite a few of those meetings which we do consult, and half the time you end up talking about roads and potholes and the library and the bins.

It is not just the community that want to be engaged. A manager of the Shire when talking about developers commented about the relationship they want.

They want quicker turnaround of applications and with the bigger things they want to work with us and be part of it.

4.3 CORE CATEGORY: COMMUNICATING INFORMATION ABOUT THE PERFORMANCE OF LOCAL GOVERNMENT

The presentation of results in this category includes a review of publications and information sources available to residents that did, or could, influence their perceptions about the performance of the local government.

4.3.1 Review Of Publications

There are extensive provisions in the *Local Government Act (1995)* that prescribe public access to information including council minutes, financial information, reports and local laws. Appendix 10 contains the relevant section of the Act.

Table 4 Sources of Information Provided by Participating Local Governments

Source	L	M	S	Comment
Strategic Plan – long term	√	√	√	L was in the process of reviewing its plan
Annual Plan – medium term	√	√	√	Statutory requirement to have a 2 year Forward Plan
Budget	√	√	√	Statutory requirement
Newsletter		√		Two monthly publication by the local government
Advertorial	√			Regular advertisement in the local newspaper
Media releases	√	√	√	May not be picked up by press.
Policies	√	√	√	Available on request
Council Minutes	√	√	√	Available on request and in libraries
Annual Report	√	√	√	Available on request and in libraries
Pamphlets and Info sheets	√	√	√	Available from the Administration building and libraries
Internet site	√	√	√	
Rates notice	√	√	√	Sent by post to all ratepayers

Key: L – Local Government Large
M- Local Government Medium
S – Local Government Small

Note: All of the information was available on the local governments web sites

Annual Report Content

Local Governments in Western Australia are required to produce an annual report and it must contain certain information as prescribed in the Act and Regulations. An analysis of the information in the annual reports produced by the local governments that took part in this study found there was limited quantified data to demonstrate performance, and there is a reliance on description of actions completed during the year, and perception survey results.

Local Government Large – 2004/05

Reports performance against the objectives of the strategic plan. The descriptive commentary mainly reports on events, projects and the milestones achieved, there is some quantitative data mostly about workload. Performance is demonstrated using the results of a customer service survey measuring perceptions of service.

Local Government Medium – 2006/07 Annual Report

Performance is reported against the responsibilities of the Council Standing Committees, the Disability Plan and Record Keeping. The information describes what was achieved during the year. There is minimal quantified data and reference to the customer service perception survey.

Local Government Small – 2006/07 Annual Report

Performance is reported in three sections:

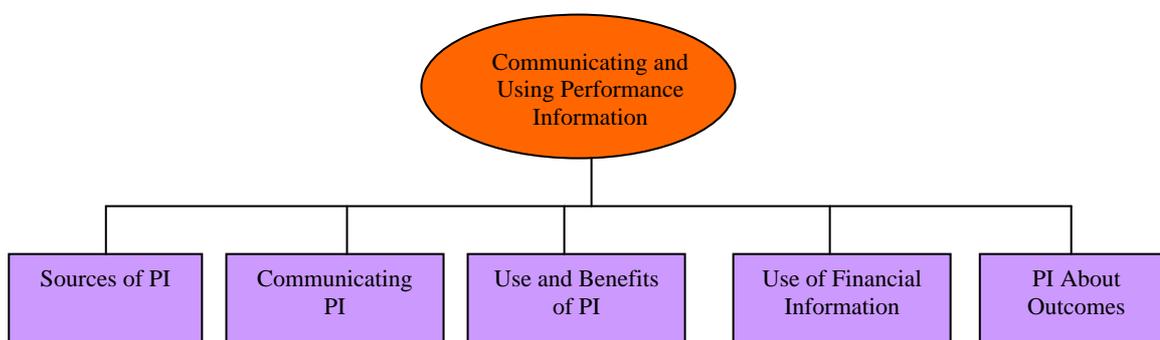
- Strategic Plan Card – a detailed list of actions that were completed.
- Community Sustainability Indicators – a range of performance measures under the headings of community, environment, and economic. It does not contain specific objectives or provide data. It uses arrows to indicate trends and “smiley” faces to indicate if the objective has been met.
- A descriptive report for each of the directorates of the organisation.

There are a number of sources of PI, in addition to those provided by local government. Combining the information gained from reviewing publications and the local governments internet sites with comments made by participants in the study (as reported throughout this section), the types used by participants in this study may be categorised as shown in Table 5.

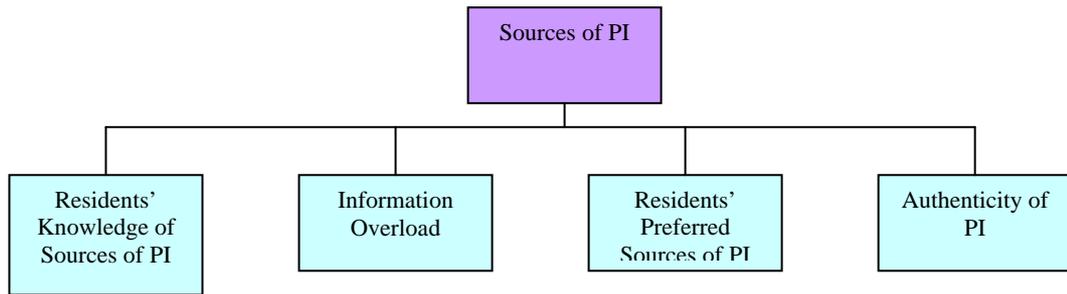
Table 5: Information Sources Used by Residents

Source Type	Examples
Local Govn. Publications	<ul style="list-style-type: none"> • Newsletter • Advertising • Budget • Annual Report • Rates Notice • Pamphlets • Internet web site
External Reports	<ul style="list-style-type: none"> • DLG reports • CCC enquiries
Media	<ul style="list-style-type: none"> • Newspapers • TV/Radio • Internet
Direct Contact	<ul style="list-style-type: none"> • Elected members • Administration staff
Word of Mouth	<ul style="list-style-type: none"> • Community Groups • Family and friends

The core category Communicating Information About the Performance of Local Government provides insights into how PI is communicated to residents, and factors affecting how it influences their perceptions and behaviour.



4.3.2 L1 Category: Sources Of Performance Information



L2 Category: Residents Knowledge Of Sources Of Information

Information can be obtained through direct contact with the local government. Participants had a good, but not comprehensive, knowledge of what is available and did not readily refer to all of the sources listed in Table 5.

Yes, we have the Medium City Bulletin that comes out and which gives you information about what is happening.

But there's not a lot of information that comes out to the general population, I don't think, I mean you can get their electronic newsletter, and they have got their web site, and the budget. I do not know of any other forms of communication really.

L2 Category: Information Overload

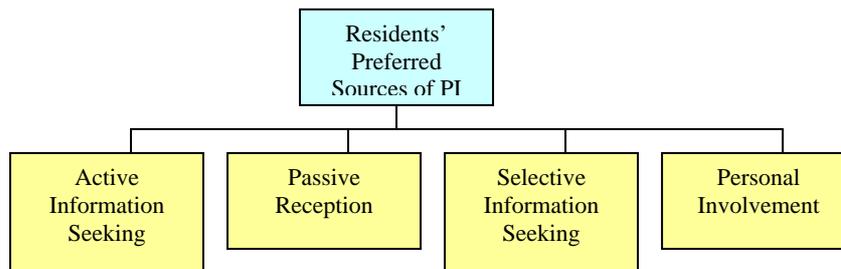
The research found that for many residents there was a general sense of information overload including that from their local government, and they thought that many people do not take an interest in it.

So I think that is excellent communication for the people who are involved. They communicate through your local paper. A lot of it is up to the residents whether they want to avail themselves of the information that is there. They can't force it down your throat// We do get an overload of information nowadays and it's a matter of whether you choose to read it or not. I mean you get so much stuff through your letterbox that is junk mail. You think, 'Oh, it might be interesting to look at it', but if it is about new TV sets and you have got one, you

don't even read it. So, here again, it's the apathy with the local government.

L2 Category: Information Source Preferences

Residents gained information about the performance of their local government in different ways that can be classified by their behaviour.



L3 Category: Information Source Preferences - Active Seeking

Some of the Activist Group actively sought information about their local government.

I consume the local newspapers, I read the web site. Whatever's happening in the area, I talk to people, and I talk to my councillors and I ask them for the information about what's happening. Yes, we have the Medium City Bulletin that comes out and which gives you information about what is happening.

The local government's own newsletter was another primary source of information.

I read it // I find it useful; of what's on and what's happening is useful. I like to know what's going on in the area.

The web site was also used by a number of the participants with some also subscribing to the electronic newsletter provided by the local government.

... the Web is fairly developed // if they put it on the web site and you can peruse it if you so wish // I tend to use the web more than I read, // I read the web site // they send out an "e-news"

L3 Category: Information Source Preferences – Passive Reception

The study found many residents used the local newspaper as a primary source of information about the local government. This was readily available and the information is filtered and presented in a way that is more readily digestible. The local newspaper was the main source of information for the non-activist group.

Yes, well I do scan the local newspapers // I think by reading the local paper. If we are reading, and then you hope that you get to know and that they tell you what is going on // They communicate through your local paper // They intend to sensationalise things to make it appear interesting.

L3 Category: Information Source Preferences – Selective Seeking

Other participants were more selective about what they read.

If I wanted to find something like that I would probably go to a public library, or web site. // Occasionally I do go onto their web site, but I don't read much of it because I do not have the time to go through it with a fine tooth comb and that's why I subscribe to the e-news. // Well, look, if you go down to the council chambers – go down and have a look, ... at the fact sheets, there is a bloody big range of them.

The Activist Group were also likely to use direct contact to get the information they needed, either contacting the customer service staff or using their contacts within the senior levels of management or elected members.

I think if you want to be aware of what is happening, it is up to you to go and find out a little bit, but then if you have any queries, you can take it up with councillors or with the officers at the council. I find you

get direct answers. There is an art to asking the questions at question time // ... call the directors at the Large City. There are lots of other means of finding out information // So when I want to find out, I do, I just ask around and then I ask the council and they have to find out for me. I don't find it difficult.

L3 Category: Information Source Preferences – Personal Involvement

A number of participants in the study discussed the need for personal involvement given that local government is said to be the level of government closest to the people.

I think the more you get involved personally, too, the easier access you have by going to meetings, meeting your councillors. // The best outcome is when you are working one-on-one. You know, when you get face-to-face, I think you can have far more impact, ...

However, personal involvement was seen as an ideal state and there was also a belief amongst residents and managers that it does not always happen in practice.

We often say we're, you know, local government is closest to the people, but ... what we also then try to do is ... is probably operate like a state government department, and that misses the mark and we all know that // ... it's almost impossible with, you know, the (large) size of our rate base.

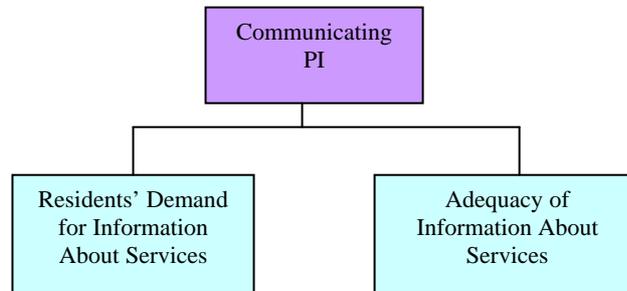
L2 Category: Authenticity of Information

A number of residents were sceptical about the information provided by local governments.

Yes, I would read their publications with a degree of scepticism I think ... // ... those publications that come out, those glossies, I would be thinking what are they trying to sell me ... // They intend to

sensationalise things to make it appear interesting. // I sort of probably take with a grain of salt some of the articles.

4.3.3 L1 Category: Communicating Information About Services



L2 Category: Residents' demand for information about services

When discussing information about services the research found that people want to know about the services available to them.

Those sort of, access to community resources type things, that's something that I can see people more and more asking about.// But information as to what is happening in the city as regards like the festival or Carols by Candlelight and all those sorts of things, and services that are running, you know, for your aged, all that sort of thing should be readily available.

L2 Category: Adequacy of information about services

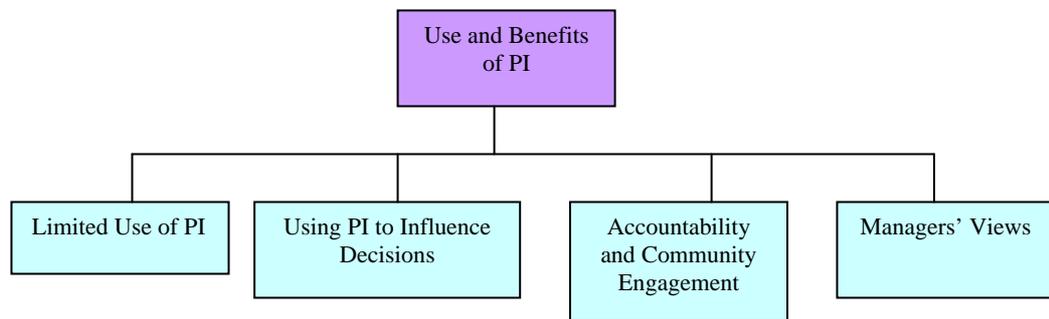
Comment by residents was that this was not done well.

I think where they're particularly weak and vulnerable is in their communication of those services to the community and engagement of the community in those services.

This was supported by comments from managers.

I think we are so busy trying to do the things we do that we forget to tell people what we do, and we also don't tell people what we do well.

4.3.4 L1 Category: **Community Uses And Benefits Of Performance Information**



L2 Category: *Limited use of PI*

The study found that there was a general feeling by residents that most people are not motivated data as demonstrated by comments about their perceptions about the views of other residents.

I don't know that it would motivate people. People are either motivated to do something or they are not. It might motivate a few more people, // ... information is only as good as the people who are going to read it and take notice of it. So, you could put in an endless amount of information and people would still say, 'Well, nobody told me.' So it is a matter of, I guess, what you are looking for. Do you read what is put in your letterbox or do you look at it and think, 'In the bin!'...

L2 Category: *Using PI to influence decisions*

Data can help in improving understanding of an issue people are already concerned about and presenting them with the facts and figures can change their views on an issue, or at least create acceptance of the fact that there are credible alternative views than the one they hold.

... at one of our meetings we were discussing something along those lines, and one of the councillors had some facts about how much it actually costs, and that was able to sway a couple of people who were really indignant about something they wanted done, by the facts, and

the fees, the costs they were able to say about, was able to sway that argument.

Residents found it difficult to argue for their view when faced with facts that contradicted it.

Despite we tried to argue with him, he is a man (the Chief Executive Officer) of facts and figures.

It was suggested by some participants that people will look for information to support their argument and people that complain about the Council but do not have the facts and figures to support their point of view do not gain credibility. The data that can be collected and managed easily is most likely to be used successfully.

There are a few, a few recalcitrants, you know that want to argue differently, but they don't sustain it. They can't give you the facts and figures ... // If you wanted to argue that you wanted a different rate regime, policing or security patrols or whatever, yes you would want the data to make the argument. // You know, you have to say the data you can get in and out fairly easily, is the data that's successful.

L2 Category: Accountability and community engagement

Having performance measures makes the local government accountable for their performance and what they are achieving in the community. It is also a means of involving the community in setting priorities as the local government can provide the facts and allow the community to identify what it is important to do something about. Whether the information and the issue is important is a decision which should be made by the majority of the community, not just a few activists, and information about the views of the community should also be available for people to see so that they know if their concerns are shared by others

If that has gone down and they can put it down to their Crime Alert or these actions that they are taking, that is definitely quantifiable. // Yes, absolutely the problem for the council is that you can get people like me writing into the (local newspapers) ... stating a claim which is baseless, ... So it is just one person's perception. So it needs to be community based // I think it would be helpful to people like me who genuinely sort of thought, 'Hang on, this is on the rise. What are we doing about it? Is anything being done to counteract it? What are the moves?' Safety – what are we doing about this?

L2 Category: Managers' Perceptions About Performance Information and Community Engagement

Discussing the current situation managers believed that performance information is mainly for the use and benefit of the organisation and the community are not interested in it in the way it is currently presented to them and used. By improving knowledge of what is important to create a successful community, local governments can monitor their progress in achieving it.

A lot of those are more important to the organisation. I don't think the community honestly wants to know very much // Not too many people actively appear to seek out our performance reporting.// You need to be able to measure how you are going, whether or not it could be a resource issue, or it could be that you are going up the wrong road to try and solve a particular issue // Its like trying to map a DNA, they finally cracked it did they not. Maybe we can finally crack what makes a city that is liveable and sustainable and everything else, and if we plot that and can actually work toward that and see cause and effect. We have got to keep trying.

There should be measures to compare local government performance but comparing measures between dissimilar local governments is meaningless. However, tying local government performance to factors it does not control can result in negative appraisal of the local government when the measures

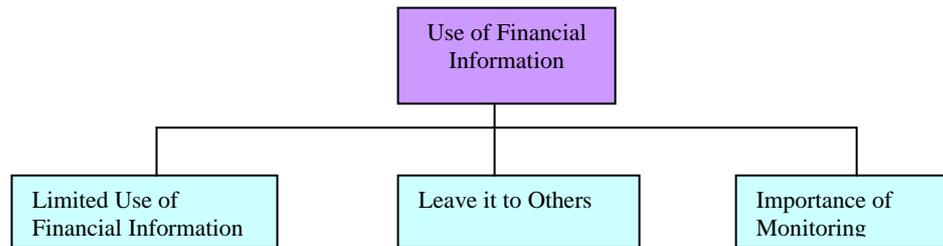
turn negative and the local government needs to clearly separate measures of its performance from measures of the condition of the community that they monitor.

... but many of the local authorities I spoke to showed me their league table and you know, it had cost per application, comparing the cost per application done at Essex with Nottingham and all this sort of stuff, and I'm going 'come on, is this really relevant?// It then gets really hard, in terms of cause and effect to pull back away from changes in crime rates,

When discussing how performance information could be used more effectively, managers believed it could assist in creating a dialogue with stakeholders, and that the measure is not an end in itself and it is the discussion around it that is important. By making performance information available to the community you allow them to be part of the solution.

If you share problems with people, and inform and improve their level of knowledge of issues then you are able to get greater support for when things do go wrong and recognise that it is not just a PR exercise // They can be part of the solution, part of the air quality may be we are all sat in our cars, so where did the push for unleaded fuel come from, and cleaner burning diesel engines and wood fires // ... have discussion and work backwards from there I guess. But some people have a very strong view that the measure is the end in itself rather than a discussion that goes around it. // Yes, so it leads us to dialogue in certain areas to manage certain stakeholders to achieve certain outcomes; most definitely ...

4.3.5 L1 Category: *Use Of Financial Information*



L2 Category: *Limited Use of Financial Information*

Most residents did not read financial information about their local government.

No, I am not a financial type person. No, I haven't looked at the finances of the City except I know it has large budgets and they are one of the biggest councils in WA I believe. // I haven't sat down and read the numbers of where the rate money is going ...

L2 Category: *Rely On Others To Monitor Financial Performance*

Although this was a common response residents were concerned about whether finances are being used effectively and not wasted, and although some had the ability to understand financial information and took the time to read it, others relied on other people to monitor financial information. No one indicated that they had read any financial information other than what is in the annual report.

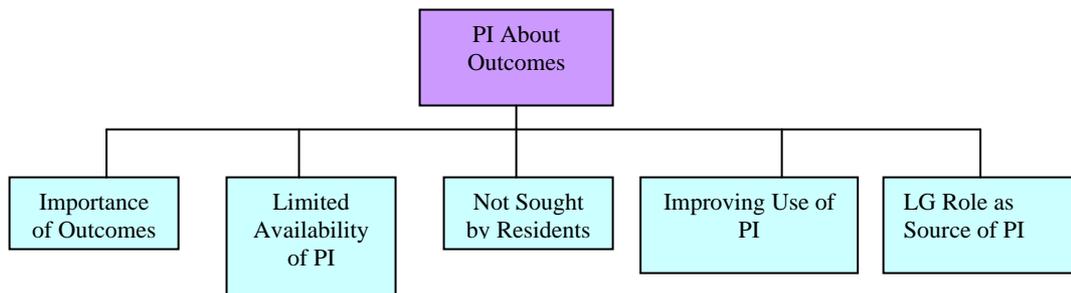
Well, I think that we want to know if our money via the rates is being spent to the best advantage.// No. I know it is available to me, I have a friend who reads it, and I kind of know that she would tell me if there was anything. But no I don't read it.// I suppose I've got a business background, ...but, yeah, I looked at the financials at the back, and it didn't look good.// Because I was told by councillors.

L2 Category: *Importance of Monitoring Finances*

Because of their concern about the how the finances of the local government are used there was strong support for it to be published.

... they have got to show you where the money is being spent and where the money is going to be spent. Even if nobody looks at it.

4.3.6 L1 Category: *Information About Outcomes*



L2 Category: *Importance of Outcomes*

Residents do want to know that the local government is effective in creating the type of community they want to live in.

I think it is good they provide for the community. Anything for the betterment of the community is an advantage for everybody. If people are enjoying the area, they like staying here, you have a stable population and you have a better community.// Yes, I am very concerned about the roads and the usage they have on the roads, and I am very concerned about making sure that there is adequate parks and facilities for everybody. I think Large City has to look after, not look after, but provide opportunities for the youth and elderly people in the community.

L2 Category: *Limited Availability of Information*

There was concern about the lack of information about outcomes.

I'm concerned with the direction that this balance might be going in, and I would like to have more information on that as it develops. By

the time you get that information it has already probably developed so it is very difficult.

L2 Category: Residents Do Not Seek Performance Information About Outcomes

Although the residents are concerned about outcomes and there is some demand for information about it, many residents have a limited appetite for information about the outcomes.

So I actually wouldn't know how much information was available because it's not something we've ever pursued. // No, it's my own personal feeling. No, I haven't seen the statistics at all. // I think we should have the big picture maybe in an information thing four times a year or something like that, ...

This is supported by the views of managers.

You've got to be careful flashing a whole lot of statistics at them. People don't necessarily relate to that When we've got a complex issue that we need to communicate to the community, (we) will break it down into digestible bits.

L2 Category: Improving the use of outcome measures

The comments of one manager provided an important insight into the use of outcome measures by local government.

No, I don't reckon. I don't think local government strategic plans generally ever talk about outcomes really. I think we talk about the visionary stuff, but when you look at what we measure, we still usually measure our own output.

Discussing an alternative approach the manager discussed the need for the community to define the outcomes.

It means the community itself starts to define the outcome, what it is going to look like, and then we start to align our service delivery and our programmes and whether we facilitate things, provide things, or advocate for things, to start trying to make those things come to fruition for the community.

Discussing outcomes another manager discussed the need for decisions to be made on the basis of information about them.

Actual project outcomes or service delivery outcomes. I'm not interested in just producing outcomes which sound good ... at the moment a lot of safety issues done by local government is perception ... the stats don't show improvement in outcomes, and yet we're wasting a lot of resource ...

L2 Category: *Difficulty of Using Outcome Performance Information Effectively*

Comment was also made about the use of performance information in planning processes.

Yeah, we have just gone through the Community Perceptions Survey, and I guess what I don't think we do well is the integration of that information into our strategic planning and our forward financial plan and then ultimately budget planning processes. I have actually just said that to the leadership team in there.

When considering performance information people interpret it differently and come to different conclusions based on their personal beliefs about it.

Twenty-seven traffic accidents is a concern to some of our elected members as such, but not a concern to others.

One manager discussed the importance of financial sustainability as a prerequisite of community sustainability and difficulties in being able to focus on community priorities.

if you haven't got that financial sustainability, you've got no capacity to do anything else, so any other measurement is irrelevant.

L2 Category: Sanitising of PI

Some managers were concerned that reports could be sanitised to provide a positive view of the local government when in fact there are problems in some areas.

Personally, I think that you just tell the community exactly how it is. // That's why I feel there is a need to go out to the community and inform them, and say, 'Look, we have entered into a difficult period ...

Having measures to aid the discussion was seen as being the key to having an effective dialogue.

Absolutely; yeah, the key is measurement You will get some particular members of the community where that is really of great interest.

L2 Category: Local government role In Providing Outcome PI

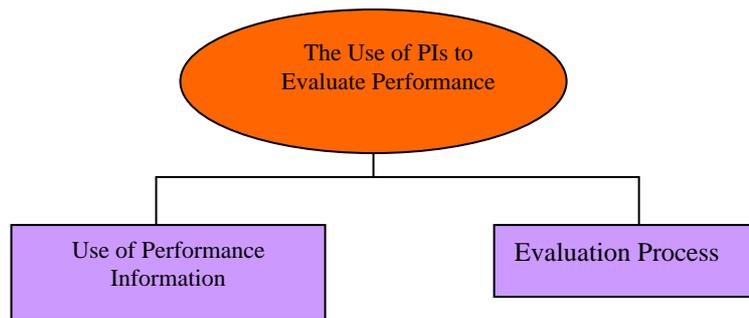
There is also support for local government to be a source of information about the area it is responsible for, although there is concern that this should not become too great a burden.

... aside from a bulletin that gets a bit of a by-line section in it, there's not a lot of communication about that (environmental issues), so that would be something that I'd like to see could be in there.// Well, in this day of modern communication, electronic communication, an organisation can't have too much information available to them. I think if it is just providing information and giving guidance on where people can

go to seek access to services, I think that is fine, as long as we don't become a default information provider and provide those services for other departments, and provide the information and the follow-up for those other departments.

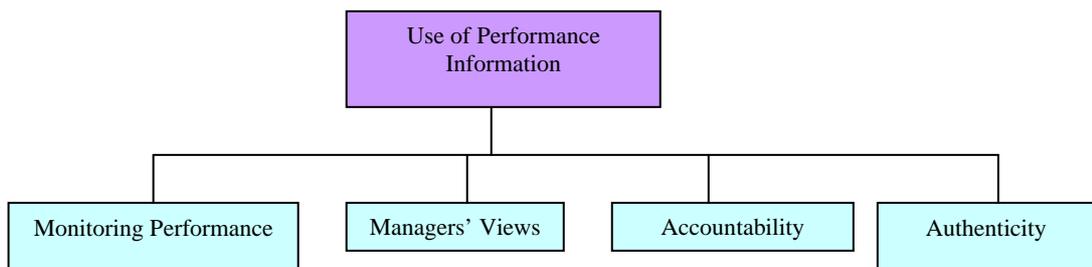
4.4 CORE CATEGORY: THE USE OF PERFORMANCE INFORMATION TO EVALUATE PERFORMANCE

There are two level one categories within this core category, *use of performance measures* category, consisting of concepts about the use of quantitative information. The second category of *value for money* consists of concepts about how residents form their perceptions of the performance of the local government using objective and subjective information.



4.4.1 L1 Category: *The Use Of Performance Measures*

The use of performance categories consists of a number of concepts about residents' use of performance measures. The category also contains concepts relating to how managers use performance measures and their views on what and how to share the information with residents.



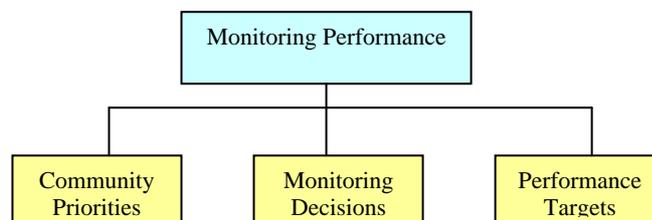
The previous discussion about the use of performance information by the community indicated that residents made little use of it, particularly in relation to financial performance. However, the research also found that performance measures will be used by residents if they have a specific interest in it.

Probably you would only go to it if you had a particular concern I read them, yeah. In the local paper you read about how many burglaries there were, so you read it and that is it. // I think we should have the big picture maybe in an information thing four times a year or something like that, but if they are going to do something in your immediate local area, then they should actually concentrate and only tell those people, ...

In some circumstances they may not be users of a service but are interested in it because of the impact on them as ratepayers.

I never will go to it (the annual elector's meeting). So the only real thing that is important is if they are going to spend \$10m there, then in a couple of year's time they must be spending \$10m close to where I am. That basically is the reason why we would be very interested in it, yes.

L2 Category: Monitoring Performance



L3 Category: Community Priorities

Residents believe that the local government should have specific measures of things important to the community and monitor them.

... what's the expectations of service and how do people measure they have got the service they wanted? // Yes, of course. I really think that these things should be monitored ... Well, I think the City of Medium City really should in fact have their own officers that monitor the people that put things down our local drains // Yeah, I would like to, yes, something quantified, not just airy-fairy, it builds better relationships etcetera.

L3 Category: Monitoring Decisions

An interesting view that the research found was that waiting to measure the outcome resulting from a decision of the council is too late and it is the decisions the Council make that should be monitored.

What they should be doing is monitoring their decision making in those aspects rather than monitoring their outcomes. It's too late when you're monitoring outcomes. You're already that far down the tree; they need to be monitoring their decisions.

L3 Category: Monitoring Performance Targets

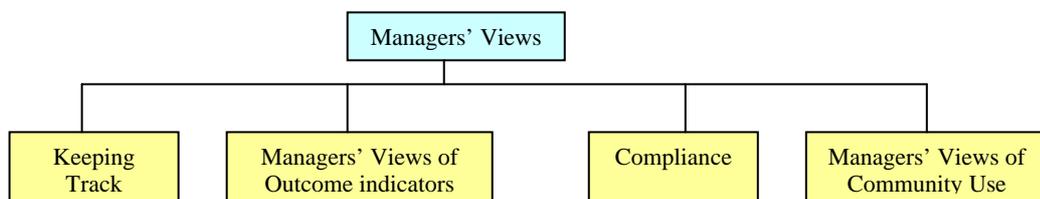
There was also support by residents for measures about the effectiveness of services including having performance targets and reporting against them to allow the community to be the judge of whether the programmes and services are effective.

... they should have provided statistics on where crime is, the level of crime, the moving average of crime, whether the moving average is up or the moving average is down that's broad based crime, from graffiti to criminal activities.// It's like you going on a training to run a four-minute mile and never timing yourself. Do you know if you were improving?

Why even keep an annual report if there was no measure of this year compared to other years?

L2 Category: *Managers' Views*

This study is about the use of local government performance information by residents. As it is the local government that provides this information, how managers use the information and their views about providing that information to residents is relevant to the study.



L3 Category: *Keeping Track On Meeting Objectives*

Having performance measures for the objectives of the local government's strategic plan assists managers to keep on track.

Yes, and that is an expectation on us, and we do that constantly with noise from the airport, for example ... in the strategic plan you have got all these wonderful strategies and particular tasks that you have got to do to try and meet those strategies, but you need to have some measurement of how well you are doing, because you could be on the wrong path. // We have got a scorecard which we measure the community against a number of domains including education, unemployment; all sorts of factors ... we've got a host of measures, 73 indicators in relation to well-being that we monitor on an ongoing basis.

L3 Category: *Managers Use of Outcome Indicators*

There was considerable support by managers for having financial, social and environmental measures that relate to the whole community or to the

operations of the local government such as their greenhouse gas emissions and use of water. It was suggested measures broken down to the suburb or local community level would be useful.

If you come up with an index which is a basket of goods, you have got your CPI index or whatever ... // ... if we had an air pollution problem, from my point of view I think we should be finding that out, and yes it may be a State Government responsibility or Federal Government responsibility, State more likely, at least we could do something about it. Advocating for something to be done about it, some solutions to be put in ... //. We tend to report on our own outputs, rather than things I think the community itself is interested in, how things are improving, how things are changing for them.

L3 Category: Compliance

There was little discussion by managers about the need to have performance indicators to meet compliance requirements. This is understandable given that it is not required in Western Australia. Although, as discussed elsewhere, there was concern about over-compliance, it was also commented that because there are no regulated performance measures it is not possible to compare performance with other local governments, and to identify areas for improvement.

When we do our compliance, there are no set indicators for us to achieve. They aren't benchmarked to give guidance to local governments about what the key issues are. They tend to be all the masculine, hard financial issues. There is nothing about society.

There was also concern about the possibility of being required to provide comparative indicators and what they would focus on.

I suppose you need some raw data about, you know, whether the local authority is broke or not, and whether it has potential in the future to be sustainable economically, ... but I'd really prefer to focus on the

more social side of things, about whether your local authority is providing community facilities and open space and meeting the expectations of your community, rather than how you compare with that other local authority 300km away.

L3 Category: Community use

Some managers held the view that community indicators are too complex for the average person to understand and that it will be too difficult to enable the community to use them. They are seen as relevant and useful to the manager but not generally of interest to the public.

I need it to make my decision, yeah, definitely. But whether I can afford to spend a lot of time and money educating the community as well, and how I do that, if I'm going to take it on, is a ... yeah, a quantum leap for us to do that sort of thing ... How would we get 'em interested, who's interested, all those questions. // In my area we do; we have KPIs and we do meet those internally, but we don't communicate them to the public ... a lot of the KPIs that we set are internally driven, for example, you know, the amount of time that it takes to pay your suppliers. Now we have a policy where we buy local and we buy local as much as possible and we try to get them all paid within 14 days. Now we generally meet that KPI. So we satisfy that part of our customer base but it is not something that you can advertise or promote.

The two further concepts linking to the Use of Performance Measures are accountability and authenticity.

L2 Category: Accountability

The Activist group were pro-active in seeking information about the performance of the local government and believed that having the measures available to the public if they want them makes them accountable.

If you want anything more you have got to go out and have a bit further a look about it, but you know, it is fairly obvious as to what is going on in the district if you hook yourself in and go and have a look.// I'd say they disclose too broadly, when the real story is in the complexity and in the detail. // I think it's important even if you don't look at it because it makes them accountable. // That would be fantastic if things were going badly and we could go, 'Stop, this isn't good enough.'

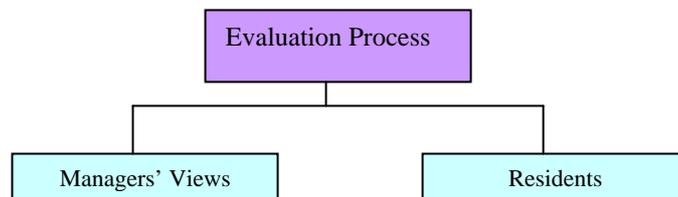
L2 Category: Authenticity

Performance information reported through non-local government sources, particularly the media, is more likely to be noticed.

People say to me, 'Oh, I saw that thing; I didn't know that', you know, because, of course, reading a newspaper, people do that a little better than picking out glossy brochures.

4.4.2 Level 1 Category: Evaluation Process – perceptions of managers and residents

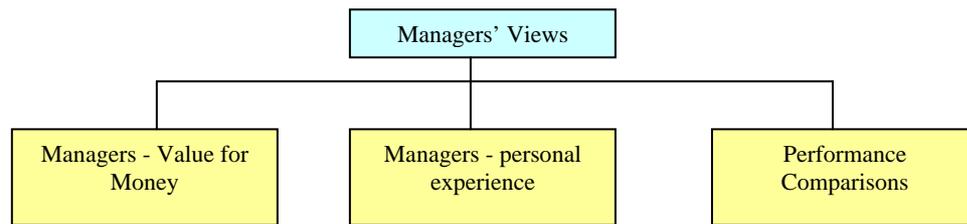
The study found that although there are circumstances in which residents use performance measures when considering the performance of their local government, there are many factors that come into play. This category consists of sub-categories about managers' perceptions of the local government's performance and how they communicate it, and categories of how residents form their views about the local government's performance.



L2 category: *Managers' views*

Managers' views of the residents' perceptions about their performance and how they form them fell into three categories.

The managers had different views of residents' satisfaction with services depending on which local government they were from, and thought that residents formed their perception about the performance of the local government without using performance information.



L3 Category: *Value for money*

Managers from the two cities believed their residents considered they provide good value for money.

... and I think we deliver our services quite well at good value for money. // It does ask questions (the resident survey) around value for money, which we are performing all right.

A manager from the Shire highlighted the difference from the metropolitan area.

We have got a vast array of gravel roads in the shire. And a lot of ratepayers see that they don't get a return on their investment in terms of their investment in rates which they pay each year.

There was a concern about how value for money is communicated to residents.

How we communicate that to people, how interested they are in that, I suppose that is part of the challenge, isn't it? How do you break that

down into digestible bits where people can then say, 'Oh, okay, I understand, I actually am getting good value for money.

L3 Category: Personal experience

There was a strong belief that residents presently made a judgment about the value for money they receive from local government based on their own experience of the service they receive.

If they get the services that they want and they are not too dismayed with the rates they have to pay, then they probably reckon that you are efficient.// As long as they have got enough money to make my park good, to keep my street clean and well maintained, and verge maintenance ... // I don't know, I don't know how far they get in actually analysing us as a business as opposed to analysing their value for money.

They also believed that this was based largely on personal service and needs rather than broader issues.

But, as I said before, will you ever take their attention away from 'my park, my street, my shop, you know, my childcare centre'? It is where they interact, is where they make their judgment, not necessarily on all the broader issues, so that is a challenge for us I think. // I think it is their own perceptions based on what they experience. I don't think they have the whole or look at the whole. I think they look at their individual experience and, as I said before, I think they zoom in on little things.

L3 Category: Comparison of Local Government Performance

A manager from The Shire commented that because they are not close to other local governments their residents did not generally make comparisons with other local governments.

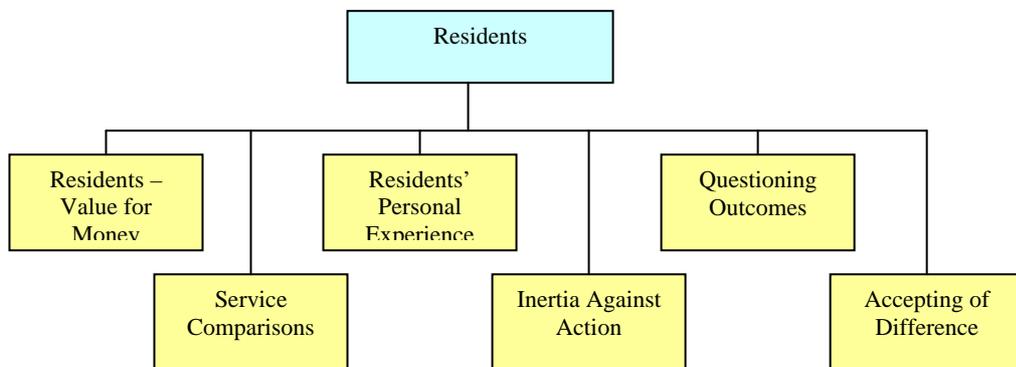
I would think there would be a very small amount of people that would

care about what we do against another council, and that might be people that have come from another area.

L2 Category: Residents' Views

Residents' views about how they and other residents formed their perception of the performance of their local government has six categories of information.

The statements from residents in the study about how they formed their perceptions about the performance of their respective local governments provided deeper insight into how they formed them.



L3 Category: Value for money

Residents of the study did believe they received value-for-money services.

I think we do get reasonably good value for money.// We do get good value for money ... where are you going to get those services for \$20 a week? // I think it is good services. It seems to be well run. // I think generally we get what we pay for.

L3 Category: Service Comparisons

Some residents compared the standard of service they received with other local governments.

We also have an investment property up in Broom, and the rates up there are a lot higher.

There were also comments that residents did not directly compare services with other local governments.

Basically, I don't think many people make comparisons. // No (a negative response to a question about comparing services).

L3 Category: *Personal Experience*

Some residents were found to base their perceptions about the performance of their local government on their personal experience of the service rather than the information that is provided to them.

... yes it is on the rates thing ... I do think it is useful they do itemise the thing a bit ... I wouldn't necessarily dispute them, I wouldn't go for cheaper waste services or anything. // I suppose it's just, yeah, your own perceptions of what's going on.

L3 Category: *Inertia Against Action*

When residents are comparing rates there has to be a significant difference before they get concerned.

You know, unless it is really, really, really going to hit you in the hip pocket, I guess, then you weather it // I think if you thought things were not going right and the rates were very high, then you may start delving a little bit, but it would really require quite an inquisitive mind, and a person that would be really willing to put in the work and ferret things out.

L3 Category: *Questioning Outcomes*

However, there was some questioning of major projects.

... has there ever been any studies to prove that providing these massive expensive sports reserves and change rooms and all that go with it minimises delinquency in any way.

L3 Category: Acceptance Of Differences

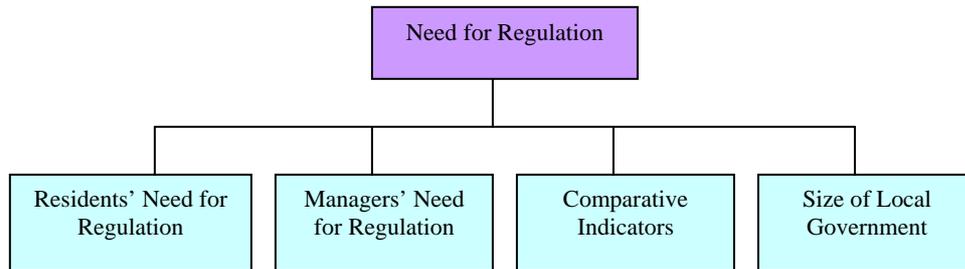
Residents in the Shire were aware of their rates being high compared with other local governments. Although prepared to accept the higher cost for the life-style they had, there was concern about it remaining affordable.

I do, yeah. Rates are - - You see, a big problem with this shire too, it is so big. I think it's about the biggest shire in area, I think next to Wanneroo (a large West Australian local government) ... But with the smallest population, which makes it hard with all the roads. You know, it's pretty expensive; their maintenance is huge, but I'm prepared to pay for that little bit of peace and quiet I've found in the Shire.// ... they wouldn't want to put the rates up anymore, because even now we're going, 'Oh, hope we don't get rated out of this place,' because we really love it here, where we are.

4.5 CORE CATEGORY: ACCOUNTABILITY OF LOCAL GOVERNMENT



4.5.1 L1 Category: *Perceptions About The Need For Regulation*



L2 Category: *Residents' Views On The Need For Regulation*

There was little support for more regulation of local government by the State Government.

I think we're over governed, anyway.// Would that be productive, or just another layer of information and bureaucracy?//

Although many of the residents were opposed to further regulation of local government there was support for independent audits particularly concerning financial management.

There should definitely be auditing and very, very strict control over financial management.// No, there has to be outside mechanisms in place. You can never have an insular entity such as the council governing itself. You need someone overseeing it from outside.// Yes, I do. I mean I think there are examples where local governments have gotten themselves into, I guess, significant financial difficulties. I think a monitoring role by the Department to pick up those circumstances is appropriate.

There was some support by residents for the monitoring of the performance of local governments.

I think they need to make sure that the organisation complies with the legislative requirements, and part of that can be KPIs. // Maybe the Local Government people could have a little more power to monitor

certain services that were essential like the rubbish and safety and the amount of recreational space per house. You know a couple of things that would be really essential, but not everything, we wouldn't want them having power over everything.

There was also concern about corruption.

Well, you always need somebody looking over the shoulder, don't you, otherwise there is going to be corruption.

L2 Category: Managers' Views On The Need For Regulation

There was concern by managers about the current level of regulation and compliance requirements by the State government.

As far as this community is concerned, I don't think there is that expectation at all // I think that we have far too much regulation. The studies we've done here are something like 574 – it might be 517 – acts, regulations, policies, procedures that we have to abide by

Some managers believed there are benefits from regulation.

I think local government is more regulated than any other level of government, but it works well. It keeps us in check, and I don't have a problem with it. I think it is a good thing. // It would cost a fortune to do it all the time, to be like, you know, the big brother looking over the shoulder all the time, but I think an audit every now and then.

The main concern of managers is that local government regulations about performance reporting are compliance driven and do not necessarily assist it to perform better. They are also concerned that meeting compliance requirements draws resources away from activities that would be of more benefit.

AAS27 was starting to say, well recognise that you have these things, and depreciate and recognise that at some point you are going to have to replace. But people took it from the other side and said this is just a compliance thing. // ... but for me the bottom line is, well, I want to make sure that we meet all our statutory obligations. // You know, accountability is a good thing. The problem would be, is if local government gets to see its' entire output designed around the reporting requirements rather than the carrying out of their duties.

L2 Category: Comparative Indicators

Managers are sceptical about how comparative measures of performance would be used and the value of them.

I think the Department of Local Government needs to foster that more (providing assistance to local governments that are not performing as well as others), you know, rather than it seems to be almost like a divide and conquer thing, or trying to single out one local government better than the other. // it would be so difficult to actually set up an accurate measure that would be applicable across the state when each local government is unique, and what service levels were acceptable to a different community would mean that that measure might not be relevant. // I'd really prefer to focus on the more social side of things, ... rather than how you compare with that other local authority 300km away.

L2 Category: Effect Of Local Government Size

The wide variation in the size of local government in Western Australia requires different approaches to accountability. Large local governments have the systems to self-regulate but there could be a role for the State Government to ensure senior management are held accountable because elected members do not have the skills to.

... mostly in the city and the bigger regional areas – that have got the level of internal self-regulation and internal controls that is probably all

that is needed to be efficient, ... // I think that there should be more of a regulatory regime to keep an eye on the senior staff to make sure they do the right thing .// My view is that because they (elected councillors) are not professionals—they are not professional politicians—we shouldn't expect them to take on that role.

4.5.1 L1 Category: Accountability To The Community



There was considerable comment from both residents and managers that accountability for achieving the outcomes desired by the community is a matter for the community to judge and not the State Government

... I don't think that they should be measuring the KPIs that the organisation sets itself, because if they did, well, then it would be Big Brother //... but I wouldn't want them to do it...I'd like them to monitor their own outcomes first, because I think they've got bigger problems. // It's not about reporting to the local government minister because that's really there to provide safe guards and an overview for when the community is unhappy with the performance.

L2 Category: Community Responsibility For Setting Targets

Some managers commented that performance targets are for the local government's own use and that the community should be involved in setting and monitoring them.

It is a 'horses for courses' thing I think, and if we say in our business plan that we want to increase the usage of the library to maximise it, then that is our indicator and then we report against it, or if we say to the community, 'we want you to reduce your water consumption', then you put that as an indicator. // I think, better that you set targets with them and not for them because they are ultimately the people who need to buy into this and if they don't feel part of it they are not going to participate.

As discussed in relation to the use of performance information, residents make judgements about the performance of their local government based on their own experience.

... your own area, can make a judgment on whether that is getting worse in your own area ... // It is very much up to the local community,

L2 Category: Proof Of Performance

There was also a strong belief that local governments must be able to demonstrate that they are performing well.

If their policy is to achieve such-and-such, then they must have measuring devices or systems to measure whether their policy is being achieved.// OK this is what we said we are going to do, and then say on a quarterly basis, performance reporting it, and at the end of the year how did you actually go

L2 Category: Transparency

Informing the community about performance will assist in maintaining the transparency and accountability of the local government.

I think if it is still transparent, there will still be safety nets and checks and balances in place to make sure that you are transparent, but I think if they can give us a little bit more freedom to let us make our

own choices and to be accountable for them to our community and not to them (the Department of Local Government), then I think it will be better. // So, yes, I think that the more information that is out there the better it is because then they think, oh you know, we have got to publish this.

L2 Category: Residents' lack of interest

A difficulty in making local government accountable to the community for its performance is the low level of interest by residents.

Well, I really believe it's the community's role to do that. However, you know, people are very busy these days, and they don't find the time to do these sorts of things. // People complain about things if they don't like something or if it is not working. But you generally don't hear if something is going well. // I think the community has a very strong role in making certain that local government's accountable and they have exercised it quite all right. (Laughs). Mind you, that's also intriguing when you consider that almost nobody bothers to get involved in local government elections particularly, you know, so it's a conundrum.

The conundrum of the community being the judge of the local government's performance, but that most people are not interested, may be a result of the small number of people that do take an interest in local government affairs being very vocal. As one manager put it.

They wouldn't apply to everybody, but the numbers that are participating is ever so small, which means those that are happy don't speak up, but those that are unhappy, by Christ, they do.

L2 Category: Vicarious Accountability

However, as discussed in relation to the use of performance information, there was a strong belief that there are people and organisations with an

interest in monitoring the activities of the local government that act as a “watch dog” on behalf of the community.

Here again, it is your local paper or, say, the West Australian as well, they can create the interest. I mean they can be a bit of a watchdog for you. // ... there always will be somebody out there that will have some interest, but not enough groundswell, but when you hit the hip pocket that is one way that people react. // ... and I was fairly certain that the Local Government Association, I think that's the name of them, they are watching over all of them. // I think the accountability comes in making the place as transparent as possible.

L2 Category: Elections

Elections are seen as a way of making people get involved in the local government's performance.

That is the only way in my view, because the people generally will not take an interest.// Because I think the people have got themselves to blame. I mean I might be talking in contradictory terms when I say it should be compulsory voting, but I think, you know, if people are forced to vote, their interest would be greater.

Information about the performance of the local government can assist voters when deciding which candidate to vote for in elections.

... if they (the community) feel they've (the council) used their power successfully or have different views to what the community expectations are, then that'll reflect in the elections.// And you do get to elect your councillors every now and again, so if you think they are doing such a lousy job then you change them, ... let's face it; the only thing we can do is vote the people out.

L2 Category: Outcomes

Residents, particularly those in the activist group, believed that managers in local government should be responsible for the outcomes they achieve.

We are going to pay you a lot more money. They will say, Oh, whacko! you know, Great! There are responsibilities that go with that and the responsibilities are that you will get a clear outcome. // He looked at the river and Lee Kuan Yew said, 'Next year you will swim across that river. Clean it up.' I would like to see the officers that live in or around the Medium City, and move here.

Managers also commented on this issue.

Ultimately I think that good governance of a local government is reflected in the outcomes we deliver to the satisfaction of our community. // I think there are levels of reporting that can be made appropriate to the community and whoever we are reporting to. // Also I think the senior management are also accountable through their annual performance reviews because the outcomes of the strategic plan should be built into the senior management position descriptions and they should be judged on the performance or implementation of the strategic plan.

L2 Category: Ambiguity of Performance Measures

However, there was also concern that performance measures can be too broad and difficult to measure, that they are of no value in making managers accountable for their performance and that the performance of managers is closely scrutinised.

I feel it is still too ambiguous. It could be subjective, so to me it is not really useful. It is also based on the position descriptions which are at times outdated, at times too broad to be measurable, ... // They have a lot of bosses ... As well as being answerable to the ratepayers, they

are answerable to their immediate superiors and then on again to councillors, ...

Residents commented that to judge the performance of the local government it is necessary to have baseline data for comparison.

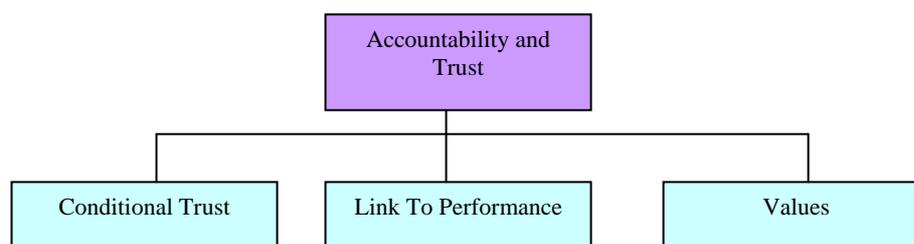
... while targets for sustainability are useful, if there is no baseline data, if there is nothing that I can compare it to, it is very ambiguous. // Why even keep an annual report if there was no measure of this year compared to other years?

As discussed earlier in this section, a possible way of choosing targets for the local government is to involve the community in deciding what is to be measured and what the measures and targets are. The dissemination of information about the performance of the local government may motivate people to get involved with local government.

We tend to report on our own outputs, rather than things I think the community itself is interested in, how things are improving, how things are changing for them. // When you say you are meeting your targets but people still have concerns about service, is that because the things that you are measuring, while they are important to you, you are not necessarily measuring the things that are important to them? // ... if your council is at the bottom of the list all the time, then you could probably get people that are unhappy or have aspirations to get into council.

4.5.3 Level 1 Category: Accountability and Trust

The category of Accountability and Trust has three level 2 categories.



There is a high level of trust that the local government provide services efficiently and are financially responsible. The community participants also believed that trust is important.

So whilst nothing sort of sticks out I think people basically trust their council. // I think that is an important point. Is that then, for some things you think that perhaps you just need to trust the Council to be doing the right thing. // Society's based on honesty and trust ... // Well, I just took it as a done deal that they would be adhering to it. I'm, you know, trusting that, ...

Managers commented on the need to build trust between the local government and the community.

So, yes, that's my view of that, no more regulation, but build that trust with the community constantly.// there is this ongoing issue about government and trust and openness and communication

L2 Category: Conditional Nature Of Trust

Managers believed that residents have less trust in the Council to make decisions that represent their views than they do in its ability to provide services.

I think that at different stages, there are different levels of trust .// But, I think it is probably at the level of major decision making, maybe its at the Council level, ... // ... they trust us to provide the services, they don't necessarily trust us to make the right decisions on their behalf.

Managers commented on the difficulty of maintaining trust between the local government and the community.

the Council makes a decision that may not take in all of the feedback you effectively break down that trust ... // I might add, a very negative media market – the media is only interested in the bad things of local

government – to try and get your message out is actually very hard. // I think there is a tendency to hide the bad outcomes. You report what you want. If you are talking about true accountability you should be doing that warts and all.

L2 Category: Link Between Trust and Perceptions Of Performance

The level of trust that residents have of the local government influences perceptions of its performance.

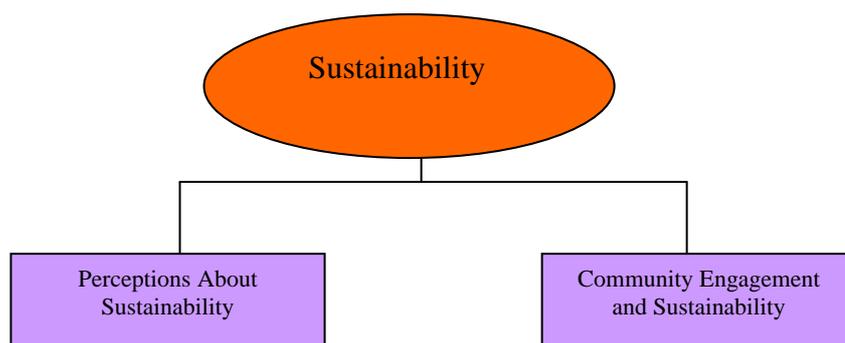
I think there is a direct correlation between a customer's perception of how the organisation is performing, and trust.

L2 Category: Values

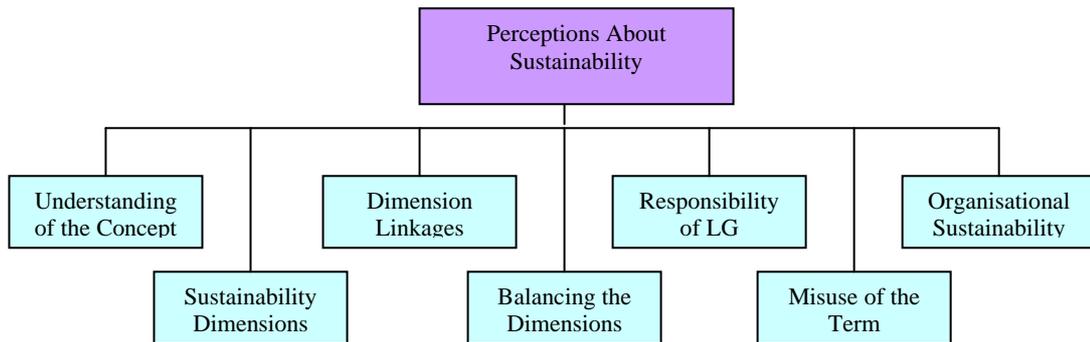
One manager commented that achieving goals was a matter of doing what they believe is the right thing to do not because they are accountable for it.

It is not by under the Act that you have to do that. So there is no accountability. It is my conscience basically to say, 'I have to push that'.

4.6 CORE CATEGORY: SUSTAINABILITY



4.6.1 L1 Category: *Perceptions About Sustainability*



L2 Category: *Understanding Of The Concept Of Sustainability*

The participants in the study had a good understanding of the concept of sustainability with most participants saying it is about making decisions for the long-term in relation to the social, economic and environment dimensions of society.

You know, so whilst you are looking at the environment and economic and social issues together as equally important, it is looking at those aspects for a problem and saying, 'Well, look, we don't want to come up with a solution that jeopardises options for the future for our children.' So, yeah, generally speaking that is how I regard the sustainability issue. // I use the quadruple bottom line as my descriptor which is to do with sustainable governance, the environment, the social, and the economic. // It just means that whatever you do is able to be continued in the long term. // It is a Council's responsibility I would have thought to manage for the long term not just this year even though the councillors themselves are elected every now and again the bulk of the council need to think long term.

L2 Category: *Sustainability Dimensions*

A number of managers discussed additional dimensions of sustainability in addition to the social, economic, and environment dimensions.

Then you can go to another level which is the sustainability of the organisational culture and what is happening at the organisational level and whether that is sustainable long-term. // . I mean traditionally there has been that triple bottom-line approach. Our council has had as part of its organisational ethos that it is a quadruple bottom line. We added in governance, and I notice in recent years a lot of other organisations have picked up governance.

L2 Category: Sustainability Dimension Linkages

Some managers also discussed the importance of linkages and how one dimension affects the other.

I mean they are easy I think in isolation, but it is when you try and actually get a marriage between all of those and actually deliver it and deliver well across the triple bottom line, and it is those resolution of conflict issues with respect to sustainability between those different spheres that I still think need greater examination.

There was concern that although the local government may be focused on sustainability, local government regulations and actions can be counter productive and encourage unsustainable activities such as urban infill resulting in houses with no eaves, and a loss of trees.

... to get everything they want on the block the house has to be two storey, and no eaves ... To get cool you have to run your air conditioning.

L2 Category: Balancing Sustainability Dimensions

Residents and managers believed that sustainability involves making choices about managing finite resources, that there is tension between the different components of sustainability and it is necessary to find the balance point to provide the community with the things that give them a quality of life

You might have to be clever about how you do it, but you've still got a balance point that needs to sustain the humans in the environment as well. // ... you have to remember that your community is made up of people. It is sustaining things that give them a quality way of life that will keep, you know, you as a city sustained.

L2 Category: Local Government Responsibility For Sustainability

There was considerable support by both managers and the community for the local government to be focused on sustainability, with managers saying that it is a strategic objective in their plans and residents seeing it as a core responsibility.

Our council has had as part of its organisational ethos that it is a quadruple bottom line ... // I mean within our annual report we do have community sustainability indicators that we publish each year, and we are actually just reviewing those again. // I think local government plays a pivotal role ... // It is a Council's responsibility I would have thought to manage for the long term. // It's important for everyone to be focused on (sustainability) ... // Oh God, yes, most definitely. It needs to start from that source. // think regional, act global.

L2 Category: Misuse Of The Term

Notwithstanding the overwhelming support for sustainability there were some concerns about how the term is used.

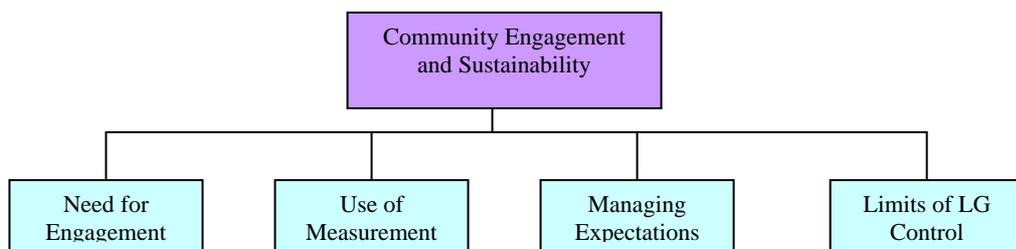
I often think that people bandy that around ... // Probably at this current time I believe it has probably become over used. // Sustainability is a crock of bloody rubbish. // Well, I guess it depends on the way you look at life. I mean a lot of people think a better quality of life is a four bedroom two bathroom home, with a below ground pool, three cars in the garage, air-conditioning, and being able to do what you want. That's not sustainability to me, that's commercialism. To me, sustainability is, is living - -

L2 Category: **Organisational Sustainability**

Some of the discussion by both managers and residents was about the sustainability of the organisation.

Well, continuation to provide services at as low a cost as possible. // But I think what is becoming more critical for local governments everywhere ... is the whole financial sustainability of local government, ... // It means that as a business you are either profitable or you run at break-even point. So you do not need external support to ensure that your operation is run successfully.

4.6.2 L1 Category: **Community Engagement And Sustainability**



L2 Category: **The Need For Community Engagement**

There was strong support by both managers and residents for the need for the local government to engage with the community in actions to improve sustainability. However, this can be a challenge for the local government as there are different priorities within the community and often conflicting interests.

Residents:

... to sustain a community you've got to work on developing the community. // ... that would be interesting to read, see what their approach was and what they were doing, but I don't know how many of the general community would be bothered to read that. // The people who live over there that we have been battling with, are going

to look at that through a different set of eyes, or a different prism, to what poor little M4b and M4a are going to look at it. We have got a different set of values and a different way of looking at it.

Managers:

We can do our own little bit here, but for us to, say, get the whole community to cut electricity consumption, doesn't mean one iota if the rest of Perth metropolitan area doesn't do the same. // But at this level we can get something done. // So a lot of things I have to suggest are not accepted by the community, because it's sustainable to increase density, particularly around rail stations. But then I get hit on the head quite a lot about 'you're ruining our amenity and our living' you know, when you try to do those sort of things.

L2 Category: Use Of Measures In Community Engagement

All of the local governments in the study published sustainability measures. The need to do this was supported by the activist group who commented that local governments should monitor sustainability measures and make them available to the community.

They are responsible for caring for all of those things, so yes they should be analysing, even if they are not giving us the information, they should be analysing how well they are doing in those areas. // they published in the paper the crimes committed during the week ... they do it, and they have got the community policing.

L2 Category: Managing Expectations

There was concern by managers of the danger of creating expectations the local government cannot meet.

... you don't run off and ... make a great big thing that we're going to, you know ... achieve a 50% reduction in car use in Large City. Because you can't deliver that.

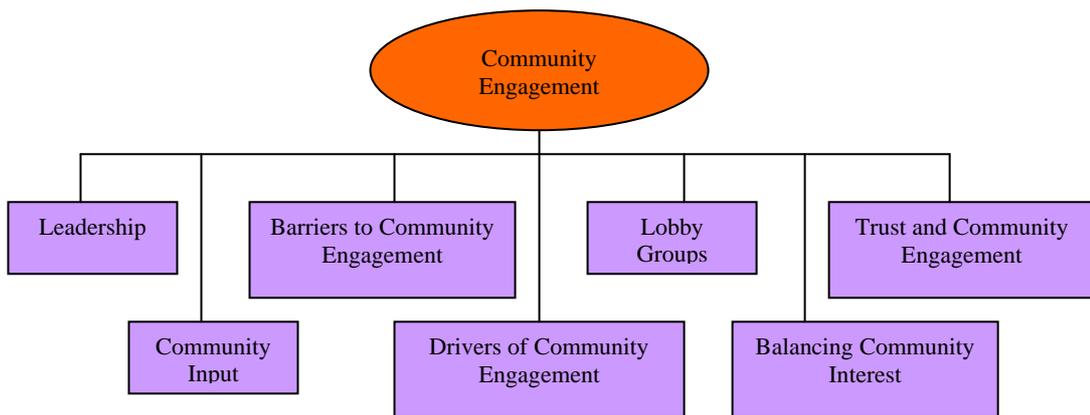
L2 Category: *Limitations on local government control*

There was, however, an understanding by residents of the limitations of what the local government is in control of.

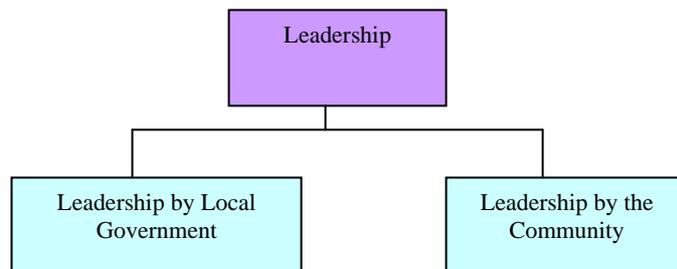
They use the resources because they can afford it. People who live in the mansions in Peppermint Grove ... and drive the huge great cars and got the big boat and jump on the Jumbo Jets which is dumping two hundred tonnes of exhaust fumes in the atmosphere to get to its destination. It is the same person.

I mean ultimately they collect our waste. They should be saying, 'Well, we need to look at what you are putting in the waste' and going full circle back to the producers and the suppliers to say, ... I mean it has obviously got to be more widespread than just the local council, but it has got to start somewhere.

4.7 CORE CATEGORY: COMMUNITY ENGAGEMENT



4.7.1 L1 Category: Leadership



L2 Category: Leadership - by local government

There was comment from managers about the leadership role of local government.

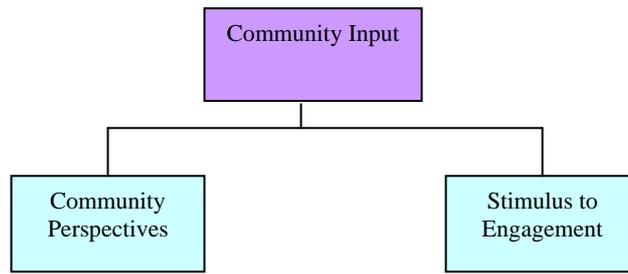
You could say education, information, you know, all of those things, leadership, stewardship and, you know, delivering, actually demonstration. I know they are sort of generic terms but they all apply. It is multifaceted in terms of what we should and are doing

L2 Category: Leadership – by the community

However, conversely, particularly residents from The Shire commented that the community can play a vital role and sometimes know more about what is happening than the local government.

There have been times when we've had information and the shire hasn't known. So we've been picking stuff up ahead of (The Shire) ...

4.7.2 L1 Category: **Community Input**



L3 Category: **Community Input – community perspectives**

Community input is seen by residents as bringing forward perspectives about an issue that the managers and councillors of the local government would not have.

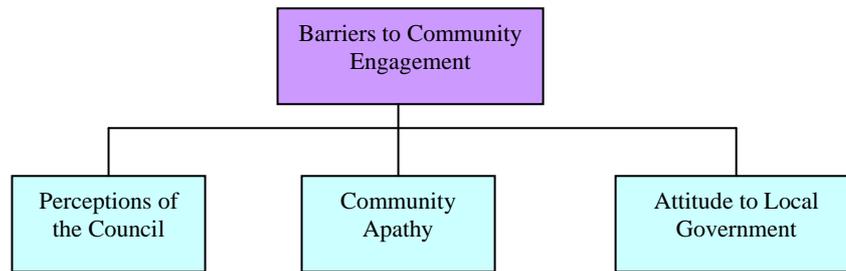
And, therefore, if you have a committee made up of people who are aware of the circumstances, who are the recipients of the sort of thing that you are looking at providing, or are the people who would like those things provided, then you get a certain amount of input that no amount of university education or training can provide you with. // I mean I get copious quantities of requests for filling surveys in and nine times out of ten I will do them, because it is getting my opinion into the bank.

L3 Category: **Community Input – stimulus to engagement**

Effective public consultation was also seen as a way of getting people involved in decision making that otherwise would not be.

Well, it does, because then the people that are in the community, ... and whilst they may not be happy to show up for meetings, they are a silent majority, but they do care, and I feel that they can be consulted and galvanised into giving an opinion, given an opportunity to give that opinion. // ... but councils are now recognising that there are certain processes that have got to be put into place otherwise we won't be able to get a say.

4.7.3 L1 Category: *Barriers To Community Engagement*



L2 Category: *Perceptions of The Council*

Some participants in the Activist Group commented that the local government could be dismissive of the views of residents.

I think there is insufficient information and insufficient interaction with the community, and an inability for, you know, access to local councillors to discuss things. // The former mayor ... he would just shut them up before they would open their trap. // I think it's a pity that the Council didn't ask for public input, I'm not sure if they did, they might have done. // When it comes to children's requirements, it's a bit hard when you have got people who have no interest in the subject building it. You would think that after all of these years they would say, hang on, we had better ask the end users what they want.

L2 Category: *Community apathy*

Participants from all three groups made numerous comments about apathy being the biggest hurdle to getting people involved in local government affairs

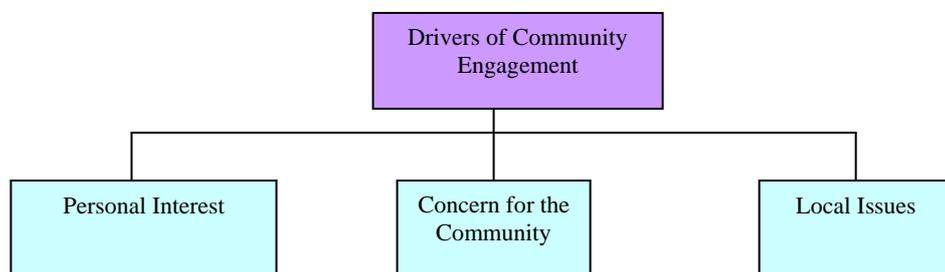
So, here again, it's the apathy with the local government. I think that is probably their biggest thing to overcome// I suppose the biggest problem for local government is how do they get around this thing of apathy?// You can't make people take an interest in local government or even in state government or federal government.

L2 Category: *Attitude to local government*

An interesting observation was made about people's attitude to local government matters compared to State and Federal government matters.

... you look at local government from a much more selfish and less global perspective than you do the State or Federal government.

4.7.4 L1 Category: Drivers Of Community Engagement



L2 Category: *Personal interest*

Residents believed that people will take an interest in things that affect them on a personal level more easily than with broad community issues.

It is very much up to the local community, but here again generally they only come out of the woodwork if there is something upsetting the people in that general area. // It's just that people aren't interested unless it concerns their own little yard. // So I think unfortunately the only way it is going to make a difference is when it effects their hip pocket. // If the impact, if they feel the impact on them is negligible they will not become engaged unless it has a direct impact

L2 Category: *Concern for community*

There was some indication that people would become involved in something that does not directly affect them.

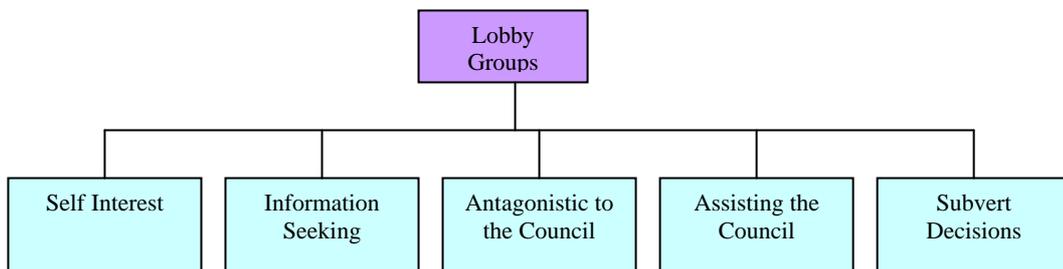
It doesn't really affect me, but it affects me because it affects my friends and even people I don't know.

L2 Category: Local Issues

Participants observed that concern about local issues, particularly opposition to planned changes, could move people to action.

Now "suburb" is starting to see change and development coming in, so now "suburb", the people are starting to get active again. // ... as you let it out to the public, you've got, you know, everyone saying 'my patch' and they start pushing it somewhere else. // I only ever remember at council having a huge number in the gallery at a council meeting when there was a controversy.

4.7.5 L1 Category: Lobby Groups



L2 Category: Self interest

There was comment that councils can be pressured into making decisions in the interest of small sections of the community.

Yes, all of a sudden they have got their councillors in their pockets and they have never had to worry about being accountable to anybody, you know, we'll block that road off bugger you ... // ... and so you are very concerned about your own little corner of the city. // Whether the information and the issues is important should be made by the majority of the community not just a few activists.

L2 Category: Information Seeking

Lobby groups seek information to support their cause.

These people in the residents and ratepayers recognise this; they go away and get their own independent assessment ...

L2 Category: Antagonistic to the Council

It was commented on by residents that pressure groups could be antagonistic to everything the council does.

They are sort of council-bashers and they're more for a blue than anything else.

L2 Category: Assisting The Council

Participants from the activists group commented on the value of pressure groups and how they can assist the council and need its support.

Forget the morning tea; give them the facilities to do, ... they're actually doing the council's work that the council doesn't have time to do. // We've even contacted different developers and had meetings with them and there's one, ... and he's going, 'Oh look, I don't think we should meet with the group, because we haven't even got a concept plan yet. And we're going, Great! Good, that's what we want to hear because once they've done the concept plan, they don't like to change.

L2 Category: Subvert Council Decisions

Lobby groups can be a problem for managers as they are pressured to respond to their demands even when they believe it is not in the interest of the general community.

There are a few squeaky wheels, if you want to call them that, a few radicals that keep on hammering us on certain things; for example,

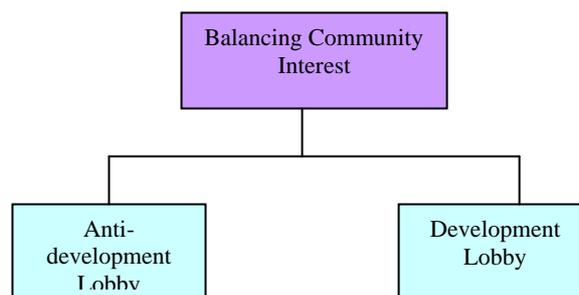
say a community group wanting a specific activity and we don't just act for them.

L2 Category: May Represent Community Views

Conversely, a manager commented on the value of responding to the needs of special interest groups.

Like, a special interest group, like a youth group or an aged person might have an interest in an issue, and a small number of people are interested in it or a community group. If we deal with them and they are happy and they are a small group of people, then I think we have done our job.

4.7.6 L1 Category: Balancing Community Interests



L2 Category: Anti-development lobby

The activist group were particularly concerned about increased development in the area with many believing that their council favours developers.

And these commercial interests are taking over. // ... he has got a five block development that he is doing in XXX Street. He doesn't give a damn about what he is doing over here, or about what he is doing to our neighbourhood, as long as he has got 'the development' ... // All councils I would think have this battle, people who live there and care about the district and others who just want to make some money and go and live in their nice little spot where they are.

L2 Category: *Development Lobby*

A manager expressed concern about the local government favouring developers.

I wonder sometimes, though, if we are not becoming more leaning towards businesses and development and developers than appreciating the general public a little bit more.

4.7.7 L1 Category: Trust And Community Engagement

Trust and Community
Engagement

Note: There are no L2 categories.

The difficulties facing managers in knowing when and how to engage the community was captured in a comment from a manager.

... and that's the thing I struggle with is how do you engage, how do you get people's attention and if you don't get it does that mean they are not interested in it, or does it mean they just trust you to get on with it?

4.8 CHAPTER SUMMARY

The findings of this study identified six categories of insights into the factors that contribute to an understanding of the use of performance information in local government accountability from the perspective of residents. They are:

- The service expectations of residents and the relationship they have with the local government.
- How information about local government services and performance is communicated to residents and the impact this has.

- The use of performance information by residents to evaluate the performance of local government.
- The different forms of accountability in local government and the role of performance information for this purpose.
- Residents' understanding of the concept of sustainability, their views on the role of local government in sustainability matters, and how performance information is used in this process.
- The function and value of community engagement and its role in local government accountability.

The categories emerged from the data and provide an understanding of residents' views through the eyes of activists within the community, the non-activists and managers. The following chapter will discuss the findings in relation to the questions asked in this research to:

1. Identify the perception of local government stakeholders about current performance reporting;
2. Identify the purpose of the information stakeholders want about local government performance to determine the gap between what they need and what is provided;
3. Identify how sustainability is defined, measured and valued by local government stakeholders.
4. Identify the extent of integration of financial, effectiveness, efficiency and sustainability measures.

Following this, a model of stakeholder preferences that has emerged from the data about current perceptions will be presented within the context of emerging trends in local government accountability and its relationship to sustainability and sustainability reporting.

CHAPTER 5 – DISCUSSION AND MODELS

5.1 CHAPTER INTRODUCTION

The findings of this study, as described in Chapter 4, identified six core categories of insights into the factors that contribute to an understanding of the use of performance information on local government accountability from the perspective of residents. They are:

- The service expectations of residents and the relationship they have with the local government.
- How information about local government services and performance is communicated to residents and the impact this has.
- The use of performance information by residents to evaluate the performance of local government.
- The different forms of accountability in local government and the role of performance information for this purpose.
- Residents' understanding of the concept of sustainability, their views on the role of local government in sustainability matters, and how performance information is used in this process.
- The function and value of community engagement and its role in local government accountability.

The categories emerged from the data and provide an understanding of residents' views through the eyes of activists within the community, the non-activists and local government managers. This chapter will discuss the findings in relation to the question asked in this research:

How does information about the performance of a local government contribute to making it accountable to stakeholders for its performance in relation to its efficiency, effectiveness and sustainability objectives.

To investigate this the following objectives for the research were adopted to guide the research design:

1. Identify the perceptions of local government stakeholders about current performance reporting.
2. Identify the purpose of the information stakeholders want about local government performance to determine the gap between what they need and what is provided.
3. Identify how sustainability is defined, measured and valued by local government stakeholders.
4. Identify the extent of integration of financial, effectiveness, efficiency and sustainability measures.
5. Explore whether a convincing model of stakeholder preferences emerges from the data about current perceptions and emerging future trends.

The discussion will begin in relation to the first four questions. Questions 1,2 and 4 will be discussed together under the heading of “The Use of Performance Information” and Question 3 under the heading of “Sustainability”.

The remainder of this chapter will discuss Question 5 and the emergence of theory about the use of performance information by stakeholders.

5.2 THEORETICAL SENSITIVITY AND EMERGENCE OF THEORY

As described in Chapter 3, following the initial set of interviews it was decided to focus this study on the use of performance information (PI) by residents and the discussion with managers was about their perceptions of how residents use PI rather than how they themselves used it. It was also found that residents made little use of formal performance reports and the research therefore focused on how they formed their perceptions about the performance of their local government and what part PI played in this. The central concept that has emerged from this study *is the function of local government performance information in accountability to residents*. It will be argued that accountability in local government has a number of interrelated facets of which performance information and its use by residents is one.

They include personal factors, such as residents' relationship to local government, their level of concern about community issues, and how satisfied they are with the service they receive. In addition to personal factors there are institutional factors such as the level of community engagement by the local government and exogenous factors including government intervention and broadly held community values.

The analysis of the data did not result in tentative models during the data collection phase of the research. However, two key concepts developed that, at the time, were considered to be potentially the basis of a theoretical model. The first developed after completing interviews in the first of the local governments. This was the level of trust between the residents and the local government that was seen as a possible determinant of residents' use of PI to form their views about a local government's performance. Following completion of the data gathering and in the early stages of analysis the "cost" and "benefit" of information emerged as a second key concept that could provide a possible explanation of the use of PI, with residents balancing the value of PI against the effort required to access it. The theory of transaction costs (Stigler, 1961, Valentinov, 2008) and utility maximisation (Valentinov, 2008) were seen as having application to the questions posed in this research.

It was also obvious at this stage that explanations of the use of PI by residents would consist of an enumeration of a number of factors influencing their perceptions about their local government and the value of performance information to them. The transaction cost literature has recognised there are factors other than cost in the decision to use information, and theories about the institutional and environmental factors provide an understanding of the contextual factors at work in the process.

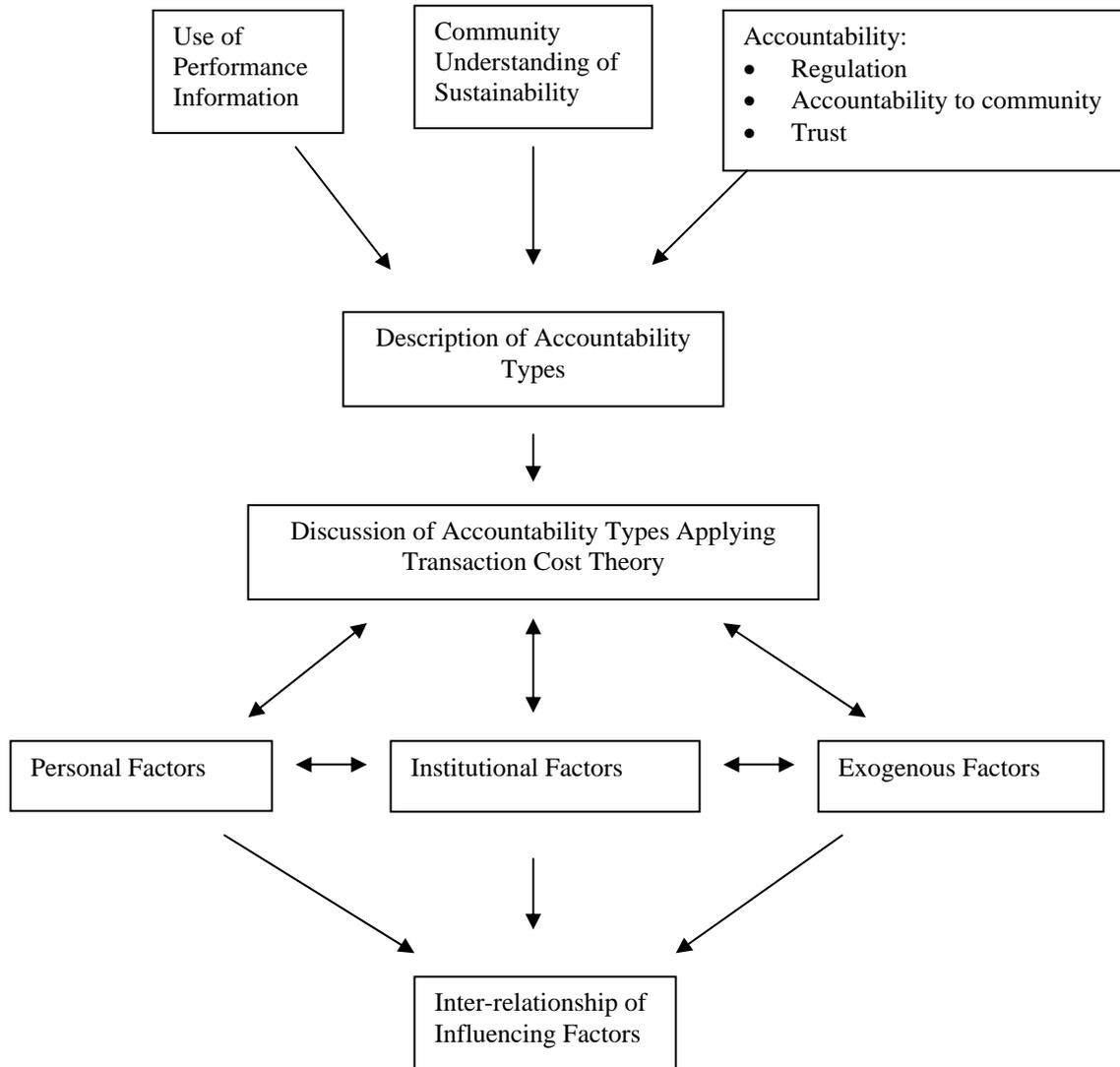
Applying the constant comparative method associated with grounded research (Glaser & Strauss, 1967), theory building took place through investigating the relationships that existed between the concepts that formed the Super Categories (Huberman & Miles, 1998). Use was made of the

facilities of NVivo to explore the links between them (Richards, 1999, p. 110) resulting in a mid-range theory (Creswell, 1998) to explain residents' views, based on their classification into "accountability types". The emerging theory of *accountability types* is discussed in relation to *transaction costs theory* and it is argued it provides a plausible explanation of the behaviour of residents. A number of institutional factors are discussed, adding further insights to the mid-range theory. This is followed by a discussion about exogenous factors and how they may influence both the institutional and the personal factors influencing residents' use of PI. It is argued that a full model to understand the use of PI by residents in relation to the accountability of local government will need to include all three levels of personal, institutional and exogenous factors.

5.3 GUIDE TO CHAPTER CONTENT

The diagram in Fig. 4 provides a schematic representation of the how the discussion in this chapter is structured.

Fig. 4 Structure of the Discussion



A brief description of the content of each section is provided below to help the reader understand the context of the discussion and its relevance to the other sections of this chapter.

The Use of Performance Measures

This section discusses the selective use of PI by residents and their

preference for information about the outcomes resulting from the actions of the local government and its impact on their quality of life. This has relevance for the use of measures of sustainability and the relationship of the local government with its residents.

Sustainability

The participants in this study demonstrated a good understanding of sustainability issues and it was found they supported local government having sustainability measures and taking responsibility for improving them.

Accountability

Accountability is the central concept in this study and three principle components were found in this study, being residents' attitude to the need for regulation, accountability to the community and the relationship of accountability and trust.

Accountability Types

The discussion from the preceding three sections provide the basis for classifying residents' attitude to accountability into four types based on the benefits and cost of information to them drawing on theory from the field of economics of information. The categories are:

- detached
- vicarious
- specific purpose
- engaged

Discussion of Accountability Types

The behaviour of residents in each of the accountability types is discussed, applying theory from the field of the economics of information, including personal, institutional and exogenous influences and an emerging model of assurance is presented.

5.4 LITERATURE TO INFORM THE DISCUSSION

The discussion about accountability types draws on theory from the study of the economics of information, particularly transaction costs, to offer an explanation of the perceptions and behaviour of residents in relation to the use of PI and to categorise the type of behaviour. It discusses how **personal preferences** for PI may be explained using transaction costs theory in which the utility, or benefits, gained as a result of using PI is weighed against the cost of obtaining it. Further theory from the field of the economics of information about *free riders* and *advertising* is used to discuss how residents' personal preferences for PI may be influenced and how regulation of the performance of local government may also affect it.

The study of the economics of information has broadened to include the influence of **institutional** and **exogenous** factors and examples will be used to demonstrate the relevance of both of these factors in residents' attitudes to accountability and the use of PI.

5.5 THE USE OF PERFORMANCE MEASURES

The discussion in this section relates to the following questions posed at the beginning of the research.

1. Identify the perception of local government stakeholders about current performance reporting;
2. Identify the purpose of the information stakeholders want about local government performance to determine the gap between what they need and what is provided;
4. Identify the extent of integration of financial, effectiveness, efficiency and sustainability measures.

Because during the course of the study the focus was changed to focus on residents rather than local government in general, Question 4 is discussed in

relation to the use of the different types of measures rather than their integration.

Performance indicators are commonly classified into workload, efficiency and effectiveness indicators (Office of Government Management and Review, 1987), and used to determine the responsiveness of services to the needs of the community (Drummy, 1991, p. 28). The research found that, although the local governments that took part in the research had measures across all three performance indicator classifications, the residents who participated in this research felt that most people do not read or use them.

I don't know that it would motivate people. People are either motivated to do something or they are not // ... information is only as good as the people who are going to read it and take notice of it. So, you could put in an endless amount of information and people would still say, 'Well, nobody told me.' So it is a matter of, I guess, what you are looking for. Do you read what is put in your letterbox or do you look at it and think, 'In the bin!'

An alternative definition of performance information included an aspect of choice about their use (authors highlight):

*quantitative or qualitative information for use **by those interested in monitoring performance** of the function and purpose of the council* (Office of Local Government, 1990, p. 5)

Three principal uses for performance measures by local governments identified by Burningham (1992, p. 87) are:

- accountability – for reporting to people or organisations the local government is accountable to;
- control – to monitor performance and for managers to take corrective action if necessary; and
- development – to understand the service delivery process and improve performance.

In Western Australia, at the time of this study, there were no statutory requirements for performance reporting. The annual reports of the local governments that took part in this study contained PI in differing formats. Only one had a set of concise indicators. In this case it did not provide actual measures, it indicated trends using an upward or downward arrow and if targets had been met using “smiley” faces. The annual report of Large City relied substantially on a community perception survey to report its performance and Medium City provided some PI within its mainly descriptive report. The findings were similar to that of Louise Kloot (2001, p. 22) in her examination of corporate plans in the State of Victoria, which found that many of the performance indicators were given in a descriptive form or did not have targets.

Priest, Ng et al (1999,p.60), in a study of the information preferences of users of local government annual reports found that respondents rated non-financial information as less important than financial information. However, this study found that there was a general feeling by residents that most people are not motivated by data, including financial information. Discussing the current situation managers believed that performance information is mainly for the use and benefit of the organisation and the community are not interested in it in the way it is currently presented to them and used.

A lot of those are more important to the organisation. I don't think the community honestly wants to know very much. // Not too many people actively appear to seek out our performance reporting.

The usefulness of financial reports has been questioned on the grounds that the majority of residents cannot understand them (Carnegie, 2005, p. 85) and, more importantly, financial reports are not valid measures of local government performance as community assets are held for reasons other than a financial return (Carnegie, 2005, p. 81, Kloot, 2007).

This study found that many of the residents could not understand or did not read the financial reports.

No, I am not a financial type person. No, I haven't looked at the finances of the City except I know it has large budgets and they are one of the biggest councils in WA I believe. // I haven't sat down and read the numbers of where the rate money is going ...

However, there was comment from residents that local government should report on its financial management and the information should be publicly available.

... they have got to show you where the money is being spent and where the money is going to be spent. Even if nobody looks at it.

Managers in all the three local governments involved in this study used performance measures for control purposes. There was some indication that they used performance measurement to develop services and improve them. However, there were comments that this was not done well at the effectiveness level, indicating that while they may be managing the efficiency of their service delivery they were not confident that they were achieving the outcomes that the community want.

The need to focus on the measurement of outcomes as proposed by a number of writers (Department of Treasury and Finance, 2004), is supported within this research. Although there is currently limited use of performance indicators at the outcome level, when prompted, residents supported the need for local governments to have them. It was acknowledged by both managers and residents that the use of, and communication about, outcome indicators was currently inadequate.

No, I don't reckon. I don't think local government strategic plans generally ever talk about outcomes really. I think we talk about the visionary stuff, but when you look at what we measure, we still usually

measure our own output. // So I actually wouldn't know how much information was available because it's not something we've ever pursued.// No, it's my own personal feeling. No, I haven't seen the statistics at all.

However, they also indicated that measurement of outcomes has the most relevance and potential benefit to the community.

It means the community itself starts to define the outcome, what it is going to look like, and then we start to align our service delivery and our programmes and whether we facilitate things, provide things, or advocate for things, to start trying to make those things come to fruition for the community.

The New Zealand Local Government Act 2002 requires local governments to identify community outcomes, and a number of state governments in Australia have introduced similar requirements (Gillen, 2004). In 2006 the Commonwealth government and the governments of all states and territories in Australia signed an Inter-governmental agreement establishing principles to guide inter-governmental relations on local government matters. One of its objectives (Australian Government, 2006) is to promote a more effective and efficient government and requires that agreements should have agreed outcome measures and that priority should be given to demonstrating commitment to achieving outcomes rather than having an input focus.

All three local governments involved in the study were in the process of developing and improving their use of sustainability indicators and there was a very good understanding of the concept of sustainability by the majority of participants in the study (see discussion in section on Sustainability). The study by Gillen (Carnegie, 2005, Cameron, 2004, Pugh & Saggars, 2007) found that sustainability reports were generally “bolted” on to other reports and were part of an integrated reporting framework. The review of publications by local governments in this study and comments by both managers and residents supported this.

I mean within our annual report we do have community sustainability indicators that we publish each year, and we are actually just reviewing those again// they published in the paper the crimes committed during the week

A number of writers discuss the need for organisations to make the information relevant and understandable to the public (Epstein, Coates & Wray, 2006 p, 6), and this was supported by comments from managers in this study,

I think we should have the big picture maybe in an information thing four times a year or something like that, but if they are going to do something in your immediate local area, ... // You've got to be careful flashing a whole lot of statistics at them. People don't necessarily relate to that When we've got a complex issue that we need to communicate to the community, (we) will break it down into digestible bits.

This issue will be discussed in more detail in the discussion about community engagement and the role of PI in the process.

The literature says that local government should be accountable for its performance and provide information the public can use to assess it (Carnegie, 2005, Kloot, 2001, Walker, 2002, Cameron, 2004). This research found that residents make a subjective assessment about the performance of their local government rather than using performance measures and are mainly interested in the outcomes (quality of life) being achieved. Local governments are being encouraged, and in some cases required, to measure outcomes. However residents believe it is they who should make judgements on whether the outcomes are being achieved and would therefore not support a compliance approach by the State Government. While outcome measures could assist residents judge if their local government is successful in achieving the outcomes they want, currently they

do not use PI to make their decision. They will seek PI for specific issues that are important to them and residents believe that the local government should have specific measures of things important to the community and monitor them.

... what's the expectations of service and how do people measure they have got the service they wanted. // Yes, of course. I really think that these things should be monitored ... Well, I think the City of Medium City really should in fact have their own officers that monitor the people that put things down our local drains. // Yeah, I would like to, yes, something quantified, not just airy-fairy, 'It builds better relationships' etcetera.

Residents were found to make judgements about the performance of their local government based on their own experience.

... your own area, can make a judgment on whether that is getting worse in your own area, ... // It is very much up to the local community, ...

This research found that residents are influenced and make use of performance information in certain circumstances such as when they are lobbying for a particular outcome.

Actually that's a really good point because at one of our meetings we were discussing something along those lines, and one of the councillors had some facts about how much it actually costs, and that was able to sway a couple of people who were really indignant about something they wanted done, by the facts, and the fees, the costs they were able to say about, was able to sway that argument. // If you wanted to argue that you wanted a different rate regime, policing or security patrols or whatever, yes you would want the data to make the argument.

The literature discussed the possibility of using performance measures to inform the community, improve their understanding of key issues and to involve them in deciding the priorities to focus on. Further to this is the possibility of empowering them to take action themselves as individuals or in community based action (Epstein, Coates & Wray, 2006 p. 6)

The engagement of the community was seen as a current weakness in the local governments studied, with many managers commenting that they could do more to make the community aware of the information and do more to measure the things that the community are most interested in. Medium City had developed a suite of community indicators, but the residents in the study do not have an awareness of them and did not make any more use of performance measures than the residents of the other two local governments. Residents of all three local governments had limited knowledge of what performance information is available and mainly referred to financial information or the subjective reporting of what was achieved provided in the Annual Report. If the PI is not the primary way in which residents assess the performance of their local government, it is necessary to explore what other factors are involved in this process.

5.6 SUSTAINABILITY

One of the objectives of the study was to investigate if, or how, sustainability measures were being integrated into the performance information and decision-making processes of local government.

- 3. Identify how sustainability is defined, measured and valued by local government stakeholders.*

As discussed by Bajracharya and Khan (CPA Australia, 2005, p. 21) the differences in legislative requirements governing the functions and management of local government will result in differences in what local government measure and report. As discussed in Chapter 2, as a result of legislative requirements, community pressure and support from managers,

many local governments around the world, including Australia, are involved in sustainability programmes. This research found that residents and managers supported local government involvement in sustainability issues, and found there is a good understanding of the dimensions of sustainability and its inter-generational focus.

I use the quadruple bottom line as my descriptor which is to do with sustainable governance, the environment, the social, and the economic. // It just means that whatever you do is able to be continued in the long term. // I think local government plays a pivotal role ... // It is a Council's responsibility I would have thought to manage for the long term. // It's important for everyone to be focused on (sustainability)

Consistent with the literature, participants in this study thought it important for local government to have measures in relation to sustainability.

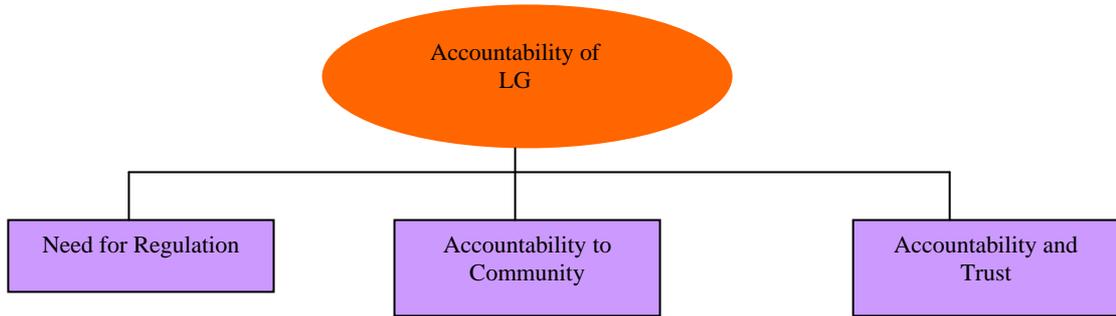
They are responsible for caring for all of those things, so yes they should be analysing, even if they are not giving us the information, they should be analysing how well they are doing in those areas

However, as discussed earlier in this chapter, there are no statutory requirements for local governments in Western Australia to report their performance, including in relation to sustainability, and the local governments that took part in this study had few sustainability indicators in their annual reports.

5.7 LOCAL GOVERNMENT ACCOUNTABILITY

The context of accountability in local government is that it operates under state government legislation and as a result there are statutory processes in place, with the Minister for Local Government and various state government departments having authority to monitor and maintain performance standards. This research found three components to accountability as shown in Fig. 5.

Fig. 5 Components of Accountability in Local Government



5.7.1 Regulation

There was little support by study participants for more regulation of local government by the State Government.

I think we're over governed, anyway.// Would that be productive, or just another layer of information and bureaucracy?//

Managers had the same view and did not think residents want more regulation of local government.

As far as this community is concerned, I don't think there is that expectation at all. // I think that we have far too much regulation. The studies we've done here are something like 574 – it might be 517 – acts, regulations, policies, procedures that we have to abide by.

Although many of the residents were opposed to further regulation of local government there is support for current regulations, and possibly enhanced regulation to monitor local government and make them accountable for their financial management in particular. However, managers were concerned that further requirements for performance reporting could become an exercise in compliance for compliance sake and not contribute to improved management. There was also concern about the possibility of being required to provide comparative indicators and what they would focus on.

I suppose you need some raw data about, you know, whether the local authority is broke or not, and whether it has potential in the future to be sustainable economically, ... but I'd really prefer to focus on the more social side of things, about whether your local authority is providing community facilities and open space and meeting the expectations of your community, rather than how you compare with that other local authority 300km away.

Experience of a compliance approach to management indicates that it has limitations in the long-term. For example, the Victoria State Government Best Value Commission in its 2004 Annual Report recommends the removal of the legislative requirement for councils to meet the Ministerial Code for Reporting. This was a result of the Commission finding that, for many local governments, the reporting format did not capture the interest of the community and that the level of reporting was onerous, repetitive and resource intensive (Best Value Commission 2004)

While residents looked to the State Government to ensure that the local government is well managed financially, there was considerable comment from both residents and managers that accountability for achieving the outcomes desired by the community is a matter for the community to judge and not the State Government

... I don't think that they should be measuring the KPIs that the organisation sets itself, because if they did, well, then it would be Big Brother ... // ... but I wouldn't want them to do it ... I'd like them to monitor their own outcomes first, because I think they've got bigger problems. // It's not about reporting to the local government minister because that's really there to provide safeguards and an overview for when the community is unhappy with the performance.

5.7.2 Accountability To The Community

The second area of accountability found in this study was local governments' accountability directly to the community.

A joint publication by Local Government Managers Australia and CPA Australia produced a guide for local government to manage its governance and management practices. The guide describes accountability as meaning *holding the councillors and management of a local government responsible for its performance* (CPA Australia, 2005, p. 21). The guide goes on to say that accountability is not achieved purely through the electoral process, but that local governments must have systems that provide disclosure and review of decision-making and processes, a view supported by Wayne Cameron who was the Victorian Auditor General (Cameron, 2004, p. 59).

Wayne Cameron (2004) quoting from Barberis (1998) explains the notion of accountability as having the following components:

- Giving an explanation to stakeholders;
- Providing further information where required;
- Reviewing, and if necessary revising, systems or practices to meet the expectation of stakeholders; and
- Granting redress or imposing sanction (Cameron, 2004. p. 59)

In contrast to Mitchell (2005), who argues that it is essential to have benchmarks and comparisons to form judgments about performance, some managers commented that performance targets are for the local governments to use to achieve agreed community outcomes and not for compliance or performance comparisons with other local governments.

It is a 'horses for courses' thing I think, and if we say in our business plan that we want to increase the usage of the library to maximise it, then that is our indicator and then we report against it, or if we say to the community, we want you to reduce your water consumption, then

you put that as an indicator. // I think, better that you set targets with them and not for them because they are ultimately the people who need to buy into this and if they don't feel part of it they are not going to participate.

Residents, particularly those in the activist group, believed that managers in local government should be responsible for achieving the outcomes that the community wants and not just the efficiency of the administration.

We are going to pay you a lot more money. They will say, Oh, whacko! you know, Great! There are responsibilities that go with that and the responsibilities are that you will get a clear outcome. // ... if an inquiry was made on any aspect of our performance, that we would be able to come up with the answers. // He looked at the river and Lee Kuan Yew said, 'Next year you will swim across that river. Clean it up.' I would like to see the officers that live in or around the Medium City, and move here ...

Accountability for both the efficiency and effectiveness of local government services fits with the approach put forward by Carnegie (Cameron, 2004, Carnegie, 2005) of reporting on the *viability* and *vitality* of the services provided. Cameron (2004) noted the changes taking place in the way government is conducted and the services provided, and the tension this may cause between representative democracy and participatory democracy. The changes include the impact of the universal availability of information in the public arena, the focus on accountability for results, and the ethical framework of the public service (Cameron, 2004). He argues that the traditional model of accountability did not envisage a sharing of responsibility and yet increasingly, as discussed in the previous section in relation to the use of performance indicators, accountability is shared with stakeholders.

A number of writers have discussed the benefits of involving residents in evaluating the performance of local government (Thurley, 2003, Smith, 2004, Langworthy, 2006, Tilburry, 2006). However, it was found in this study that

many residents do not take an interest in local government affairs, including its performance, unless it is something that will have direct consequences for them.

So I think unfortunately the only way it is going to make a difference is when it effects their hip pocket. // If the impact, if they feel the impact on them is negligible they will not become engaged unless it has a direct impact.

When an issue directly affects people it can motivate them to get involved.

Now "suburb name" is starting to see change and development coming in, so now "suburb name", the people are starting to get active again. // ... as you let it out to the public, you've got, you know, everyone saying 'my patch' and they start pushing it somewhere else. // I only ever remember at council having a huge number in the gallery at a council meeting when there was a controversy.

When residents get involved in issues in this way, it does not appear to be a fact based decision making process and the Council is driven to make decisions for political reasons rather than basing it on the evidence about the issue.

Yes, all of a sudden they have got their councillors in their pockets and they have never had to worry about being accountable to anybody, you know, we'll block that road off bugger you. // ... and so you are very concerned about your own little corner of the city. // Whether the information and the issue is important should be made by the majority of the community not just a few activists.

Notwithstanding the above findings, this study also found that activists were willing to adjust, if not change, their views when provided with relevant information and that the information can assist in preventing minority groups

pressuring the local government to make decisions that are not in the interest of the majority.

... councillors had some facts about how much it actually costs, and that was able to sway a couple of people who were really indignant about something they wanted done. // Despite we tried to argue with him, he is a man of facts and figures.

This finding supported that of Salaman (2002) and Epstein & Coates et al (2006) who discussed the possibility of using performance measures to inform the community, improve their understanding of key issues and to involve them in deciding the priorities to focus on. Residents in this study supported the need and value of community input and engagement.

Well, it does, because then the people that are in the community, and there are a lot of caring people in the community, there are, and whilst they may not be happy to show up for meetings, they are a silent majority, but they do care, and I feel that they can be consulted and galvanised into giving an opinion, given an opportunity to give that opinion.

Further to this is the possibility to empower them to take action themselves as individuals or in community based action. The approach of the Victorian Community Indicators Project (VCIP) was to provide an agreed framework and process for the development and use of community indicators. Similarly the programme of Sustainable Seattle involves the community in deciding the indicators used to measure its programmes. The need for this was recognised by residents.

... but councils are now recognising that there are certain processes that have got to be put into place otherwise we won't be able to get a say.// Forget the morning tea; give them the facilities to do', ... they're actually doing the council's work that the council doesn't have time to do. // We've even contacted different developers and had meetings

with them and there's one, ... and he's going, 'Oh look, I don't think we should meet with the group, because we haven't even got a concept plan yet.' And we're going, 'Great! Good, that's what we want to hear' because once they've done the concept plan, they don't like to change.

5.7.3 The Relationship Between Accountability and Trust

Trust in this context measures the quality of relationships maintained within an organisation and with all its key stakeholders (Vigoda-Gadot & Yuval, 2003). This was seen as an important aspect of the relationship between a local government and residents.

I think that is an important point. Is that then, for some things you think that perhaps you just need to trust the Council to be doing the right thing. // Society's based on honesty and trust ...

The literature points to a link between trust and performance but is equivocal about the direction of causality (Vigoda-Gadot & Yuval, 2003), (Cameron, 2004). However, as discussed in the literature on the subject, there is a complex link between the two with a number of variables including the decision making processes of the local government, media coverage of issues, and the effectiveness of communications all having an impact on the level of trust.

... the Council makes a decision that may not take in all of the feedback, you effectively break down that trust ... // I might add, a very negative media market – the media is only interested in the bad things of local government – to try and get your message out is actually very hard ...

In keeping with the findings of Vigoda-Gadot and Yuval (2003) this study found that satisfactory performance contributed to increased trust of the local government.

I think there is a direct correlation between a customer's perception of how the organisation is performing, and trust

However, the findings indicated that the relationship is more complex than that examined by Vogoda-Gadot and Yuval (2003) and that perceptions about performance and trust may be different for administration matters such as the efficiency of services and financial management, as opposed to major decisions that affect residents' quality of life. It is speculated that this could be because performance is linked to trust in the administration whereas decisions at a governance level are associated with the Council. There is some evidence of this as indicated by one manager.

I think that at different stages, there are different levels of trust ... // ... they trust us to provide the services, they don't necessarily trust us to make the right decisions on their behalf.

However, there is insufficient evidence to draw a firm conclusion.

5.8 CATEGORISING RESIDENTS BY ACCOUNTABILITY TYPE

As has been discussed, contrary to much of the discussion in the literature, (Burningham, 1992, Gowland & Aiken, 2005) it was found that there is little use of PI by residents in forming their opinions about the efficiency and financial management of their local government. The value of PI to residents in this study can be summarised as:

1. There is currently little or no use of PI by residents when evaluating the performance of local government.
2. Residents derive a sense of assurance from PI being publicly available even if they do not use it themselves. They think that if the information is in the public arena local governments will self-regulate themselves, and if anything is not as it should be there would be someone who will notice it and bring it to the attention of the public.

3. Residents do make use of PI to lobby and influence decisions of the local government on specific matters of concern to them.
4. Residents and Managers believed that the use of PI is important, that it needs to be clearly communicated to residents and can assist in engaging residents in decision making.

It has been demonstrated in this research that residents' perceptions of the performance of local government are not based on PI. While PI and reporting mechanisms play a role, the process by which residents form their opinions is more complex and subjective. The study found a complex set of relationships of the concepts around accountability (Appendix 9) including factors such as residents' satisfaction with service, trust, and personal values all affect residents' views about the accountability of local government. Drawing on the data it is proposed that residents may be categorised into the following types:

1. **detached** – there is insufficient motivation for residents to seek performance information or become involved. They may not develop formal opinions about the performance of their local government and if they do it is a result of their own experience, the opinions of significant others and general perceptions.
2. **vicarious** – reliance on other stakeholders to monitor information and hold the local government accountable if necessary.
3. **specific purpose** – if something is of sufficient interest information will be sought and action taken to address it.
4. **engagement** – residents are involved in the process of service delivery and decision-making.

The discussion of these accountability types will begin by describing each of the types in further detail. This will be followed by a discussion of each type drawing on theory from the economics of information to offer an explanation of how the costs and benefits of accessing and using PI by residents influences their use of PI.

5.9 DESCRIPTION OF ACCOUNTABILITY TYPES

5.9.1 Type 1 Accountability - Detached

This research found there was a strong belief by participants in the study that many residents are not interested in performance information about their local government and many of both the activist and the non-activist group said that they did not make use of it themselves. This may in part be due to the difficulty of accessing and interpreting PI and improving access to it, as argued by Cameron (2004) in relation to the need for local government to encompass participatory democracy, may result in improvements. However, the participants in this research commented that regardless of what information is available many residents do not take an interest in it. It would appear that residents' interest in local government issues and performance is so low that that increasing access to PI and reducing its complexity will not induce residents in this category to make use of it.

5.9.2 Type 2 Accountability - Vicarious

As with the detached accountability type, these residents are not sufficiently motivated to take an interest in performance information themselves. The study by Priest, Ng, and Dolly (1991) found that there was a preference for financial information over non-financial information in annual reports. However, participants in this study commented on how they, or other residents, relied on others to monitor the performance of the local government and to make sense of information, particularly financial information, that they could not understand.

No, I know it is available to me, I have a friend who reads it, and I kind of know that she would tell me if there was anything. But no I don't read it.// Because I was told by councillors.

For this to be possible it is necessary for the information to be available and again this was supported by comments in this research.

I would like to, yes, something quantified, not just airy-fairy, 'It builds better relationships' ...

Another form of vicarious accountability is an expectation by residents that the local government should measure and monitor its own performance.

*Yes, of course. I really think that these things should be monitored ...
// Well, I think the City of Medium City really should in fact have their own officers that monitor the people that put things down our local drains.*

It has been argued that the role of local government has changed from being just a provider of services to lobbyist, promoter, coordinator, and managing agent Burningham (1991, p. 28). This was supported by comments of residents.

*I think if you lived near XXXX Highway, you would probably think that the council should try and do something for you ... the noise is awful.
// Oh, it's the most important thing; it's the most important thing. They shouldn't be doing anything that they don't look at those three aspects (social, economic and environment) and be absolutely certain it's going to leave the world better.// You know, trying to play that balancing role really between the interests of the shire and the bigger picture.*

In this type of accountability value is placed on the provision of performance information. However, the benefits are not sufficient to motivate people to make use of it personally but an awareness of its existence provides a level of assurance that someone will hold the local government to account.

As discussed in Chapter 2, there is considerable regulation of local government in Western Australia, particularly in relation to governance

matters and financial management. Residents in this study supported the need for regulation on these matters.

There should definitely be auditing and very, very strict control over financial management.// No, there has to be outside mechanisms in place. You can never have an insular entity such as the council governing itself. You need someone overseeing it from outside.// Yes, I do. I mean I think there are examples where local governments have gotten themselves into, I guess, significant financial difficulties. I think a monitoring role by the Department to pick up those circumstances is appropriate.

The governance manual by Local Government Managers Australia and CPA Australia (CPA Australia, 2005) expands the notion of accountability to a broader view of governance that includes disclosure and review of decision making processes. This was supported by a comment from a resident who said:

What they should be doing is monitoring their decision making in those aspects rather than monitoring their outcomes. It's too late when you're monitoring outcomes. You're already that far down the tree; they need to be monitoring their decisions.

The regulation of local government by the State Government was therefore seen as a mechanism to maintain oversight of local government. However, as discussed earlier in this chapter, residents did not support increasing the current level of regulation, or for the State Government to be involved in assessing if the local government is achieving the outcomes the community want. Regulation is a therefore a form of vicarious accountability in which there are statutory processes for the State Government to monitor the functions of the local government to provide residents with a level of confidence that it is being governed appropriately and managed efficiently, without taking over the role of residents in setting priorities and deciding if

they are being met through other accountability processes including elections.

5.9.3 Type 3 Accountability – Specific Purpose

A number of writers argue that a local government should report against performance indicators measuring key components of its performance that can be readily understood by the public (Angeletos & Pavan, 2007). This research has found that residents have an interest in the outcomes of the services and activities of the local government particularly in relation to their quality of life.

... what's the expectations of service and how do people measure they have got the service they wanted. // I'm concerned with the direction that this balance might be going in, and I would like to have more information on that as it develops. // That would be fantastic if things were going badly and we could go, stop, this isn't good enough ...

The activist group commented on their ability to find the information if they need to.

If I wanted to find something like that I would probably go to a public library, or web site.// Occasionally I do go onto their web site, but I don't read much of it because I do not have the time to go through it with a fine tooth comb and that's why I subscribe to the E-News. // Well, look, if you go down to the council chambers – go down and have a look, ... at the fact sheets, there is a bloody big range of them.

The non-activist group were more likely to rely on information provided through the media to form opinions on particular issues.

So I actually wouldn't know how much information was available because it's not something we've ever pursued.// No, it's my own personal feeling. No, I haven't seen the statistics at all ... // Yes, well I

do scan the local newspapers ... // I think by reading the local paper. If we are reading, and then you hope that you get to know and that they tell you what is going on.

It was found in this study that residents will use PI to support their case to lobby the local government. Within this category residents seek information for specific purposes to lobby for particular outcomes and may ignore or dismiss information that does not support their case.

These people in the residents and ratepayers recognise this; they go away and get their own independent assessment. // If you wanted to argue that you wanted a different rate regime, policing or security patrols or whatever, yes you would want the data to make the argument.// You know, you have to say the data you can get in and out fairly easily, is the data that's successful.

Residents may also be receptive to PI provided to them on issues they have an interest in.

... one of the councillors had some facts about how much it actually costs, and that was able to sway a couple of people who were really indignant about something they wanted done, by the facts, and the fees, the costs they were able to say about, was able to sway that argument. // Despite we tried to argue with him, he is a man of facts and figures.

5.9.4 Type 4 Accountability – Engaged

The discussion earlier in this chapter in relation to accountability to the community supports the contention that residents are motivated to use performance information and will use it to assist them to contribute in an effective way to make decisions, as well as in taking an active part to achieve the agreed objectives.

Residents' behaviour in Type 4 accountability takes place when they are engaged in decision-making and when the cost of seeking comprehensive information is matched by the benefits they derive in the form of improved services and protecting or improving their quality of life as a result of using it.

5.10 DISCUSSION OF ACCOUNTABILITY TYPES

The accountability types provide a framework to understand the role of PI in the process of a local government being accountable to residents for its performance. The accountability types describe behaviours that residents may exhibit in certain circumstances. The following discussion will seek to explain why residents will exhibit the characteristics of a particular type, and its implications for the accountability process.

It can be seen that the use of PI varies in each of the accountability types, with residents in the *detached* type the least likely to access and use PI and an increasing use as they move toward *engagement*. A possible explanation for this may be found in transaction cost theory within the field of the economics of information.

5.10.1 Transaction Cost

To apply the transaction costs theory developed by Stigler (1961) it is necessary to understand the benefit of PI to residents. Stigler's theory of the economics of information is that buyers will seek information to a point where the cost of information equals the benefit resulting from a lower purchase price. However, local government services are not price driven and the potential value to residents is not minimising price. The concept of value is therefore one that is of relevance to not-for-profit organizations such as that proposed by Valentinov (2006). Valentinov makes a distinction between for-profit and not-for-profit organizations, with the latter seeking to maximise the utility of its production rather than maximise profit. The concept of utility can be applied to describe the benefit residents seek to gain from the use of PI. The value is the intrinsic utility (benefit) from the action taken as a result of

their use of the information in the form of improved services and quality of life. This may result from direct action by themselves, or others, or indirect actions such as influencing who they vote for at the next election. The benefit may also be subjective, such as a sense of satisfaction with the performance of the local government or that they are achieving worthwhile outcomes such as mitigating damage to the environment.

As discussed in Chapter 2, Stigler's (1962) determinants of search effort in his transactions cost theory, can be adapted to the use of performance information in local government and it may be reasoned that:

1. The larger the fraction of the time spent by the resident on dealing with local government issues the greater the savings from search and hence the greater the amount of search.
2. The larger the fraction of residents who are successfully using PI the greater the effective amount of search.
3. The larger the fraction of repetitive information provided by the local government the higher the probability it will be useful and hence, by condition (2) the larger the amount of accumulated search.
4. The cost of searching for information will increase with increased complexity and number of issues.

Considering the costs and benefits of PI to residents and applying the above rules, provides a basis for exploring why residents may demonstrate the behaviour associated with the different accountability types.

5.10.2 Type 1 Accountability - Detached

Presuming increased utility is received as a result of improvements in service and quality of life, residents who are satisfied with the performance of their local government or who do not place a high value on the service they provide will not be motivated to make use of PI. Similarly residents that place a high value on the service and who want to improve it, but do not believe they can have an effect on decisions of the local government, will not place a

high value on PI as their perception will be that it does not contribute to increased utility.

Any opinions they form about the performance of the local government are therefore subjective or based on information they have been exposed to without searching for it. Similar to a person entering a new market when making a purchase, a lack of knowledge of what information is available and how to access it will increase the cost of search and residents typified by Type 1 Accountability - Detached are characterised as receiving low utility from PI and experiencing high search costs.

5.10.3 Type 2 Accountability - Vicarious

Residents in Type 2 Accountability - Vicarious are concerned about the performance of their local government. However, there is not sufficient benefit in accessing the information to make them search for it. This could be as a result of a low level of concern about the issue or because the value of the information is low as a result of their inability to understand and/or make use of it. Similar to Type 1 Accountability - Vicarious, the residents will experience high search costs. They therefore seek assurance of the effectiveness of the local government by relying on other people or organisations to take on the task of monitoring the performance of the local government.

In transaction theory, residents in this type would be categorised as *free riders*, or according to Stigler (1974) *cheap riders* (see discussion in Chapter 2), with residents not participating in collectively profitable activities if they believe that the gains will be the same without their participation.

Regulation provides a mechanism for everyone to contribute to the cost of accountability, overcoming the *free*, or *cheap, rider* issue. In this case the state government is tasked with the role of ensuring the accountability of local government. There is an expectation that the “regulator” will ensure they have the capability and access to PI that they require to fulfil this role.

Residents' comments on regulation make it apparent that they saw regulation as having a role mainly in respect to the efficiency and financial management of local government.

Residents strongly opposed the state government taking responsibility of assessing the effectiveness of the local government in relation to outcomes and the overall quality of life of residents, believing that the community should do this for itself. Residents that have a low level of interest in these outcomes and/or that do not perceive the benefits of PI being greater than the cost may rely on other people to monitor the performance of local government in the absence of State Government regulation, and the *free rider* issue will continue to apply at this level.

5.10.4 Type 3 Accountability – Specific Purpose

Stigler (1974) identified two circumstances in which firms may seek to become involved in a collectively profitable activity.

- Small Number - if the number of the group taking action is small the incentive to join it is greater.
- Asymmetry – if they have a special interest they wish to promote within the larger group they will join.

Applying this to an explanation of residents' willingness to use PI, Type 3 Accountability –Vicarious occurs when the impact of the issues is sufficient to raise the utility of accessing the PI to a level that is equal to or greater than the cost. The lower the search cost the less impact required to motivate the resident to access PI. The comments received in this study indicate that this will take place when residents are affected by an issue in “their back yard” or if it is one that they have a personal interest in. They may take action on the issue themselves or as part of a lobby group. It is most likely to be an issue affecting their quality of life and therefore of a complex nature increasing the cost of search that could act as a stimulus to join a lobby group to share the cost.

5.10.5 Type 4 Accountability – Engaged

In Type 4 Accountability – Engaged, residents perceive the utility of PI to be high; they value the contribution of local government to their quality of life and believe that their active involvement will be of benefit. Because of their past experience in accessing and using information there is a reduction in search costs. The increased number of people using the information also improves the quality of the information. As with Type 3 Accountability - Vicarious, their involvement is likely to be in relation to complex issues with a high cost for PI that is reduced by taking part in the local government's engagement initiatives.

Presuming that the process of engagement involves the local government collecting and disseminating PI, there are similarities with Stigler's transactions costs theory in relation to advertising that he describes as an immensely powerful instrument for eliminating ignorance (Stigler, 1962, p. 55). The "advertising" of PI greatly reduces the search cost to residents. As with price advertising in the Stigler model, a problem is the amount of potential information. The number of different measures required to monitor all aspects of local government performance make advertising all of them an unrealistic proposition as it would flood users with information. Comments from residents in this study found that many of them felt that this was already the case.

They communicate through your local paper. A lot of it is up to the residents whether they want to avail themselves of the information that is there. They can't force it down your throat ...

Managers also commented on the need for them to improve their communication with residents.

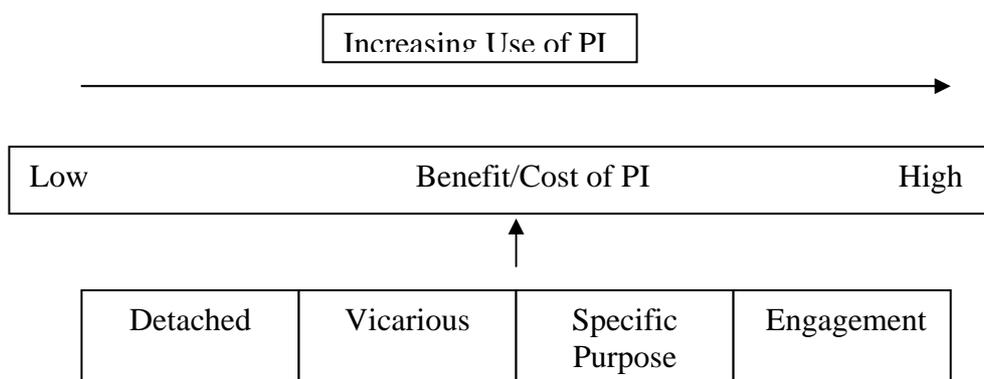
I think we are so busy trying to do the things we do that we forget to tell people what we do, and we also don't tell people what we do well.

In Stigler’s transaction theory, advertising will take place for products with a high marginal value. It can be argued that local government will maximise its value from the “advertising” through publicising PI that has a high marginal value to residents. This supports the arguments to focus measurement on community priorities and pressure points (Figg et al., 2002, Epstein, Coates & Wray, 2006, Boxelaar, Paine & Beilin, 2006). Community engagement assists the local government to identify the issues in which the residents are most interested and to provide PI in relation to them (Kluvers, 2003, p. 67).

5.11 EMERGING MODEL OF ACCOUNTABILITY AND THE USE OF PI

From the above discussion it can be seen that the use of PI by residents progressively increases from residents in the detached category to those in the engaged category as shown in Fig. 6.

Fig. 6 Use of Performance Information by Accountability Type



Residents in the *detached* category do not take an interest in local government affairs and do not perceive the benefits of using PI as outweighing the cost and are therefore not interested in PI. The residents in the *engagement* category, if involved in processes of genuine engagement as in the examples discussed in Chapter 2 (Portney, 2005, Gillen, 2004), perceive there to be more benefit from the use of PI as there is a commitment from the local government to act on their input or for them to be actively involved in change. Because they are actively involved the cost of

providing information is reduced and the local government can provide reliable and useful PI more easily.

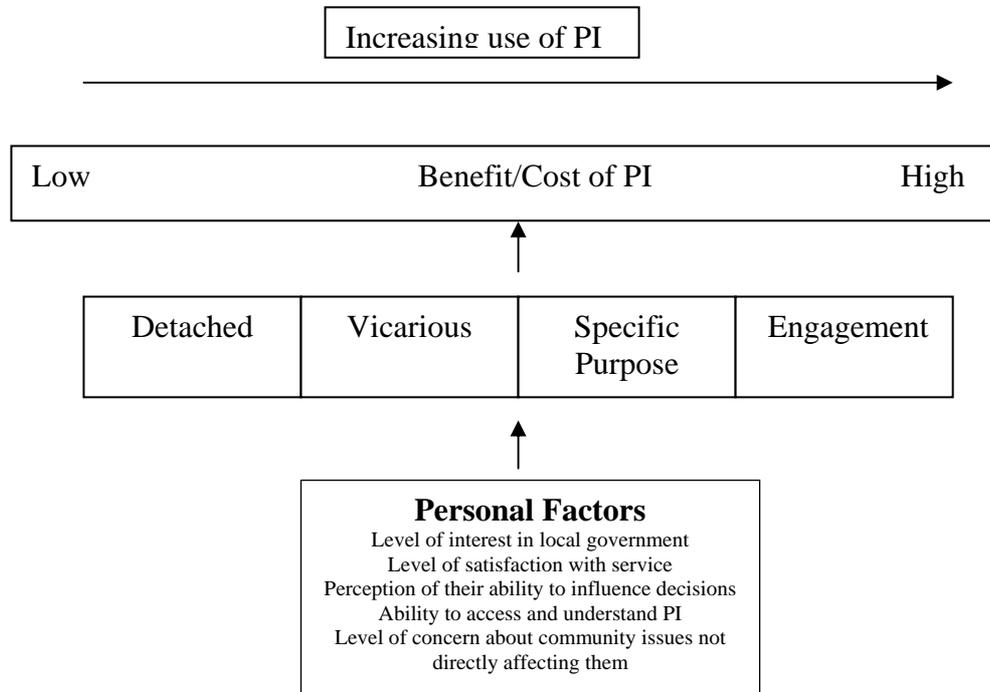
The categorisation into accountability types using transaction cost theory in which benefits are the utility derived from the use of PI, and the cost is the effort needed to access and use the information, provides a plausible explanation of the use of PI by residents. What is missing is an explanation of the factors that contribute to the differences in the costs and benefits of PI for residents. A number of personal factors have been discussed in relation to the accountability types and are shown in Fig. 7. The personal factors can have negative or positive affects on their use of PI. For example a high level of dissatisfaction with the service provided by the local government may motivate the resident to seek evidence of poor service in order to advocate for improved service. In this case the increase in benefit outweighs the cost of information. Alternatively a high level of satisfaction can result in the resident believing there is little to be gained from the PI as they do not perceive there will be, or there is a need for, improvements to the service they receive. The quality of life issues encompass a range of issues including traffic management, noise, security, water management, pollution and many others. The nature of the issue is not a factor in this model but the level of concern and the motivation to act will influence the use of PI.

The personal factors do not operate in isolation. Taking the same example of a resident that is dissatisfied with the service they are receiving, if they find it difficult to access or understand the PI this could increase the cost to a point where it is greater than the benefits and the resident will not be sufficiently motivated to use PI. As a result they may acquiesce and accept the service, move to another area, or use an alternative method of initiating change such as the electoral system.

It is beyond the scope of this study to investigate the various permutations of personal factors that affect the use of local government PI, and the purpose of this discussion is to demonstrate that personal factors are a valid component of a model to explain the use of PI in the accountability of local

government to residents and to identify a number of factors found to be of relevance in this study.

Fig. 7 The Influence of Personal Factors on Accountability Type



Recent literature in the study of economics of information considers how governance structures (Islamoglu & Liebenau, 2007) and exogenous factors (Selden & Terrones, 1993, Angeletos & Pavan, 2007) affect the use of information. As in that literature, it was found in this study that there are many factors that contribute to the use of performance information by residents in addition to personal factors. The following analysis will continue to draw on transaction cost theory but will also use an interdisciplinary approach to provide insights from alternative perspectives to broaden the understanding of the observations and contribute to the rigour of the study through, as discussed in Chapter 3, the process of *crystallisation* (Janesick, 2003)

5.12 INSTITUTIONAL FACTORS AFFECTING THE USE OF PI

The institutional approach to understanding transaction costs and governance structures put forward by Williamson (1979, p. 241) has relevance to the findings of this study. He argues that transactions in which

the specific identity of the parties is important has cost-bearing consequences as the buyer cannot easily turn to alternative suppliers (*idiosyncratic* transactions). Local governments are monopoly suppliers for many of the services they provide and have sole authority for many functions such as control over planning and building, environmental health and local laws. Williamson proposes that there should be regulation of the monopoly services, possibly using rate-of-return regulation with periodic review. In local government this could be achieved by the state government setting and monitoring service standards (Williamson, 1979, p. 257). However, Williamson also argues that idiosyncratic transactions that feature personal trust will survive greater stress and display greater adaptability (Williamson, 1979, p. 241)

As was discussed in Chapter 2, it is necessary when analysing transactions to consider the institutional arrangements and governance structures using an interdisciplinary approach including the study of human behaviour (Williamson, 2008, Islamoglu & Liebenau, 2007, Shapiro, 1982). Based on the findings of this study, three areas are of particular pertinence:

- trust between parties to a transaction;
- continuing relations; and
- governance arrangements.

5.12.1 The Influence of Trust

In circumstances where contract transactions are repeatedly renewed the familiarity of the parties can lead to higher levels of trust between them. Both institutional and personal trust develops and, where personal integrity becomes a factor, one party is less likely to take advantage of a situation to the detriment of the other for short-term gain (Williamson, 1979, p. 257).

As discussed earlier, trust was found to be a significant factor in this study and there was a distinction made between administrative matters and decision-making processes that impacted on residents' quality of life. This study found that residents in this study were more positive in relation to

administrative matters than they were about decision-making at the Council level. This is exemplified by the fact that they expressed little concern about the delivery of services and were generally satisfied with the quality and cost of them, but had concerns about broader quality of life issues such as urban in-fill and the quality of the environment. As there was limited use of PI by most residents the study supported the contention of Van de Walle and Bouckaert (2003) that perceptions of performance are based on general observations of performance rather than the use of PI. It also supported the argument of Vigoda-Gadot and Yuval (2003) that trust in administrative performance leads to higher levels of satisfaction. It may therefore be argued that residents who trust the local government are less likely to seek information about administrative performance.

5.12.2 Continuing Relations

Where two parties require specialised resources and skills to maintain the partnership, continuing relations will reduce the transaction cost (Angeletos & Pavan, 2007). This study found that the activist group had sources of information they had developed as a result of their involvement in local government issues, including using the local government's publications, web site, library and contact with officers. Residents in the Activist Group were able to get the PI they needed in contrast to the Non-Activist Group that relied on information that was distributed to the public.

Community engagement is a form of continuing relations and can be expected to reduce the cost of information. As was discussed in Chapter 2 in relation to the findings of several writers (West, Wiseman & Bertone, 2006, Langworthy, 2006, Salaman, 2002, Prior & Herriman, 2010), PI is an important tool when engaging the community and the increased utility derived from its use goes beyond any improvement in service delivery to include factors that contribute to a residents' personal consciousness (Barrett, 1998) including their desire to make a difference and service to the community.

5.12.3 Governance Arrangements

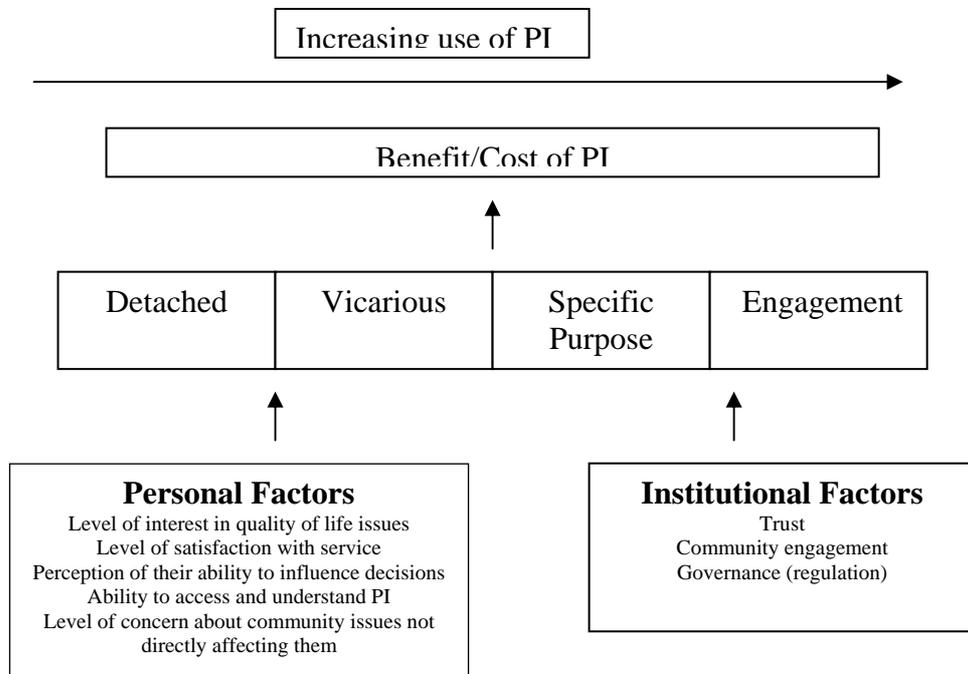
As discussed earlier, Williamson argues that there are different types of transaction activities and it is necessary to match governance structures with transactional attributes.

The efficient organisation of economic activity entails matching governance structures with these transactional attributes in a discriminating way (Islamoglu & Liebenau, 2007,p. 275)

Local government, as a monopoly supplier, is an institutional type that requires its own form of governance, and regulation is required to protect the interests of the respective parties and to adapt to changing circumstances (Commission of the European Communities, 2002, Vogl, 2003). The majority of comments in favour of regulation were about the Department of Local Government monitoring the performance of local governments, particularly in relation to efficiency and financial management. This is in contrast to the finding that residents were generally satisfied with performance at this level. This may be explained by the fact that they derive little benefit from the time and effort taken to monitor performance at this level. Applying the personal factors discussed earlier, residents had low levels of dissatisfaction with service and experienced difficulty with understanding financial and efficiency measures. They are therefore willing to allow the state government to regulate and take responsibility for monitoring performance in relation to the provision of services. This can be seen as being in contrast to the earlier discussion about trust. However, residents also expressed concern about over regulation, and the issue is therefore one of balance between regulation and trust rather than choosing one above the other. This supports Williamson's argument for the institutional approach to understanding transactional arrangements.

The tentative model that has emerged to this point is shown in Fig. 8

Fig. 8 Influence Of Institutional Factors on Accountability Type



5.13 EXOGENOUS FACTORS

The above discussion has considered how personal and institutional factors affect residents' use of PI. However, local government does not operate in isolation from the wider community and it is necessary to consider if and how exogenous factors may influence the use of local government PI.

Study within the field of the economics of information can again provide insights into this question. Angeletos & Pavan (2007) argue that the optimal use of information may depend on exogenous factors and expectations of other people's actions and that it is necessary to consider both the *efficient* use of information and the *social value* of information. The concepts of Angeletos and Pavan (2007, p. 1104) of *dispersion* and *volatility*, can be used to consider how public information may affect the views of residents. Dispersion is the amount of public information that is available and volatility is the noise in public and private information. This is a complex area of study

and the discussion below is only to demonstrate that exogenous factors are of interest and it will be argued later that this is a potential area for further study.

As has already been discussed, this study found that both managers and residents supported having access to more information about the performance of local government, particularly in relation to quality of life. Residents obtained information from both private and public sources but were concerned about the quality of the information.

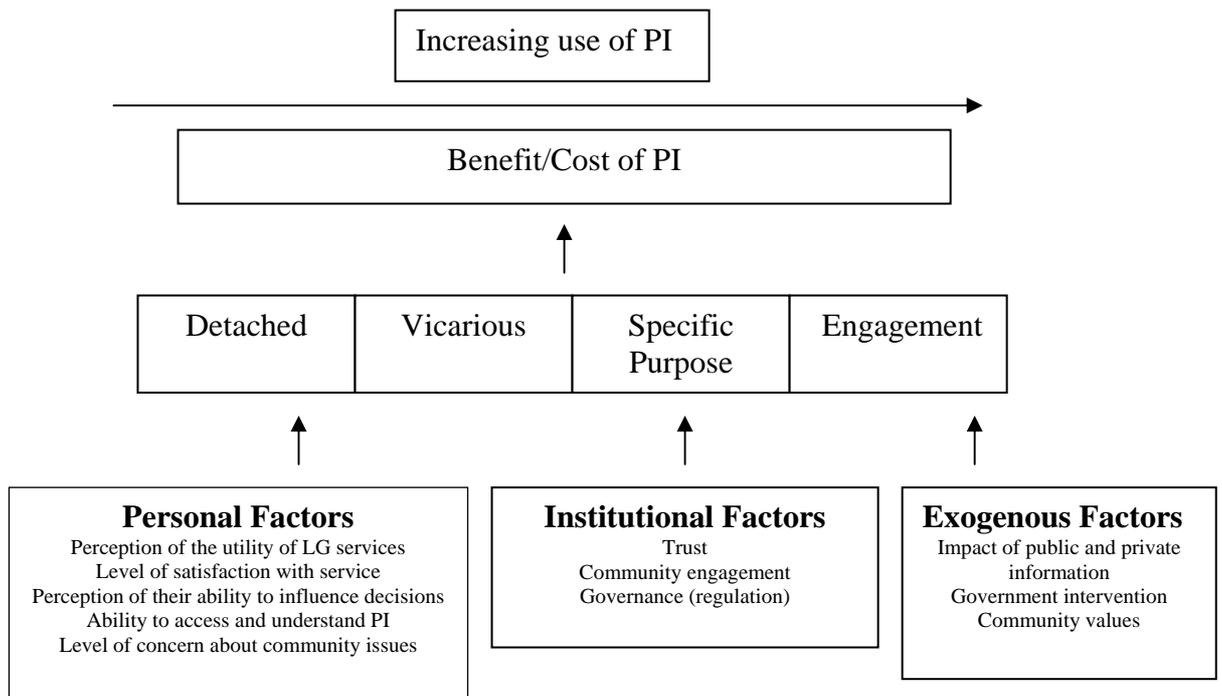
Yes, I would read their publications with a degree of scepticism I think. // ... those publications that come out, those glossies, I would be thinking what are they trying to sell me. // They intend to sensationalise things to make it appear interesting. // ... I sort of probably take with a grain of salt some of the articles.

The discussion by residents about greenhouse gases contained in Chapter 3 is an example of an issue for which there is a high level of dispersion and volatility including media comment, political debate, and government policy all of which can influence the views of residents, and their use of PI. It is a topic on which there is considerable public debate and making sense of the information can be difficult. In this case the efficient use of information may not be increased by more information.

Another exogenous influence on the use of PI is that imposed by government. Seldon and Terrones (1993), in discussing government intervention, argue that there is a bias toward easily monitored expenditure over harder to measure expenditure. As discussed in Chapter 2, this is supported by the experience of compliance requirements (Cameron, 2004), although in more recent years there has been a move towards broader measures of outcomes (Thurley, 2003). At the time of this research there were no requirements for local government in Western Australia to measure or report on specific measures of its performance other than a small number of financial ratios.

This study supported the impact that government intervention could have on the use of PI, with participants expressing both concern and support for increased compliance requirements. A change in local government regulations would have an impact on residents' use of PI, with the outcome depending on the interplay of other personal, institutional and exogenous factors and their effect on the costs and benefits of the PI. For example, residents categorised by the vicarious accountability type of behaviour are more likely to support increased reporting requirements while residents in the detached type with high levels of satisfaction with the local government may regard it as an unnecessary compliance cost.

Fig. 9 Influence Of Exogenous Factors on Accountability Type



The model that is emerging is that personal, institutional and exogenous factors influence which classification of accountability type behaviour the resident will display. This in turn influences the benefit/cost of PI and as a result their use of it.

5.14 SUSTAINABILITY – AN EXAMPLE OF THE LINKS BETWEEN FACTORS AFFECTING THE USE OF PI

The model provides an explanation of the role of PI in the accountability of local government to residents using transaction theory and proposes that there are three levels of influence affecting the costs and benefits of PI:

- Personal factors
- Institutional factors
- Exogenous factors.

The three levels of influence are interconnected and exogenous factors can, particularly in the long-term, affect institutional and personal factors. This study asked questions about residents understanding of sustainability and the role of local government in sustainability issues, and the findings provide an example of how the three levels of influence are interconnected.

As described in the introduction in Chapter 1, the sustainability movement originated in the 1980's and began to take hold in Australian local government in the early 1990's. In the last decade there has been a growing demand in both the private and public sectors for sustainability reporting. This study has found there is a very good understanding of the concept of sustainability by residents. While some participants were sceptical about the present use of the term and of sustainability initiatives, the majority believed it to be a significant issue that the local government should be involved in, and for some it was integral to quality of life issues.

You know, so whilst you are looking at the environment and economic and social issues together as equally important, it is looking at those aspects of a problem and saying, 'Well, look, we don't want to come up with a solution that jeopardises options for the future for our children.' So, yeah, generally speaking that is how I regard the sustainability issue. // I use the quadruple bottom line as my descriptor which is to do with sustainable governance, the

environment, the social, and the economic// It just means that whatever you do is able to be continued in the long term.// It is a Council's responsibility I would have thought to manage for the long term not just this year even though the councillors themselves are elected every now and again the bulk of the council need to think long term.

Sustainability reporting takes different forms, is influenced by legislation and, as argued by Figg et al (2002) should be guided by the preferences and values of the actors involved. The level of awareness about sustainability and the importance of it to residents that took part in this study supports the view that changes in community values at a societal level are reflected in the personal factors affecting the utility to be gained from PI.

5.15 EMERGING MODEL

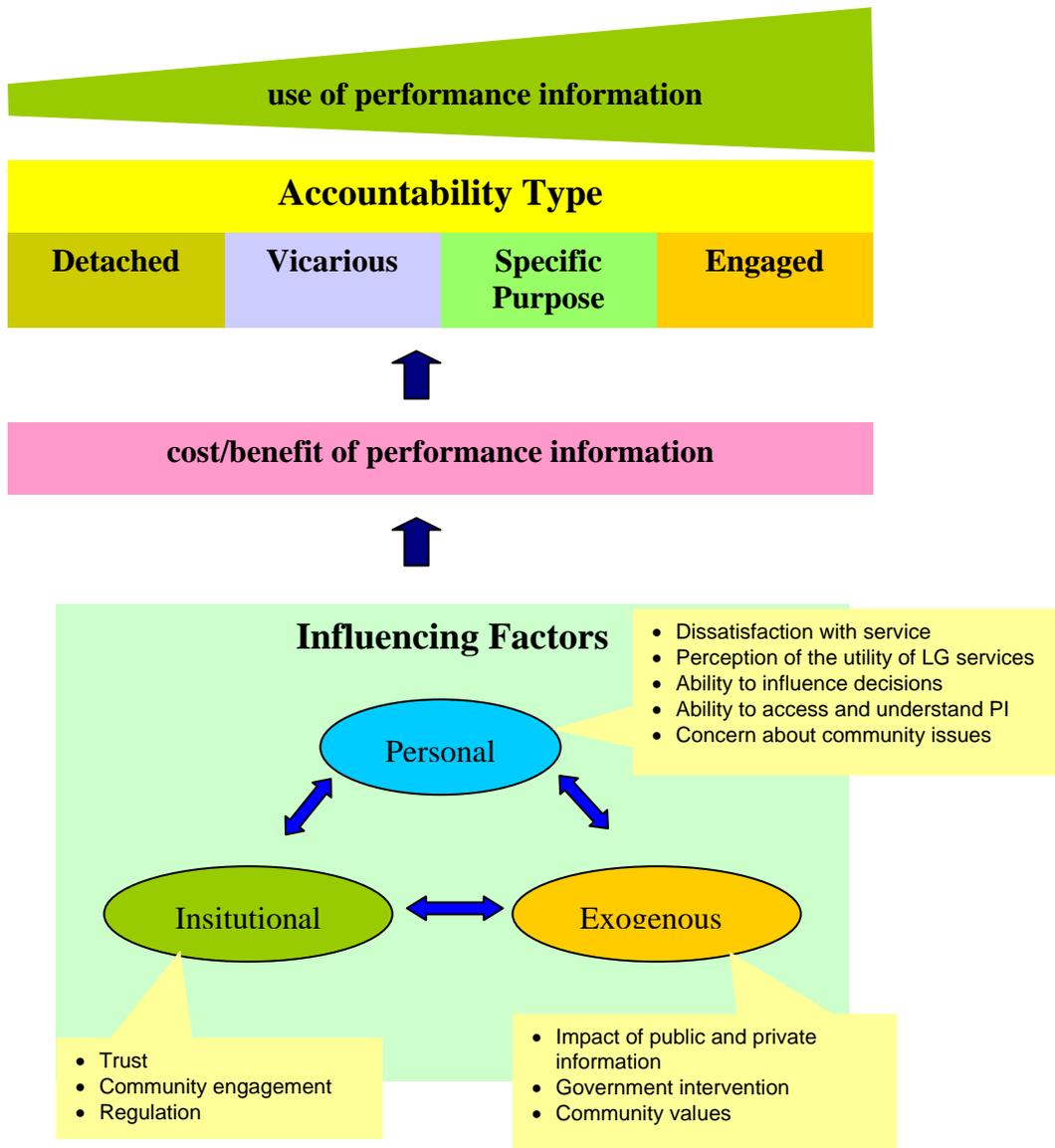
In Chapter 2 accountability was defined as *holding the councillors and management of a local government responsible for its performance*. However, as discussed in this chapter, there was very strong evidence that the majority of residents do not make a rational assessment based on facts alone about the performance of their local government and that there is a complex process through which they form their opinions. Residents do use PI but their use of it and the degree to which it influences their perceptions about the performance of the local government depends on the cost of the information and the potential benefits they will receive as a result of using it. The judgement about the performance of the local government builds over a period of time and a resident may have multiple views that change as new information and experiences are encountered. The PI may be interpreted differently by different residents depending on the institutional and exogenous factors influencing their decision and an explanation of the use of PI therefore requires a constructivist approach recognising the “co-construction” of knowledge amongst multiple participants as described by Prior and Herriman (2010, p. 64). It is therefore proposed that the emerging

model is not a model of accountability in local government but one of *assurance*.

5.15.1 Emerging Model of Assurance

In Chapter 2 the meaning of accountability was discussed within the context of a broader concept of governance and a distinction was made between the meaning of *assurance* and *accountability*. The use of the term assurance rather than accountability is proposed for the tentative model as it was found in this study that residents' perceptions of the performance of local government build up over time through the interaction of many factors. For most residents the perception they have is not based on facts but a general feeling that they can trust the local government and have faith in their ability to provide an efficient service and make decisions that are in their interest and the interest of the community. It is as much a measure of the relationship the local government has with its residents as an assessment of its performance based on an evaluation of PI. The emerging model in Fig. 10 provides an indication of the factors involved in the process.

Fig 10 Emerging Model of Assurance



5.16 CHAPTER CONCLUSION

The model that emerged in this study provides a framework to understand accountability in local government and how performance information may be used in this process. The model of assurance that emerged is a mid-range theory as it does not provide a full explanation of the process or identify the factors that contribute to it.

In addition to the emerging model of assurance a number of significant factors were identified that will be of relevance to all local governments. An

interesting observation that can be made from it is that there is no ideal state. A resident may make comprehensive use of PI and be fully engaged with the local government, but not satisfied with the service or their resulting quality of life. On the other hand a resident may be totally disengaged from the local government and making no overt use of PI but totally satisfied with the services of the local government and the contribution it makes to their quality of life. The concluding chapter of this study will discuss the application of the tentative model, and how the understandings from it can assist in enhancing the use of PI and the assurance of residents that the local government is efficient and effective.

CHAPTER 6: IMPLICATIONS OF THE EMERGING MODEL, FURTHER RESEARCH AND CONCLUSIONS

6.1 CHAPTER INTRODUCTION

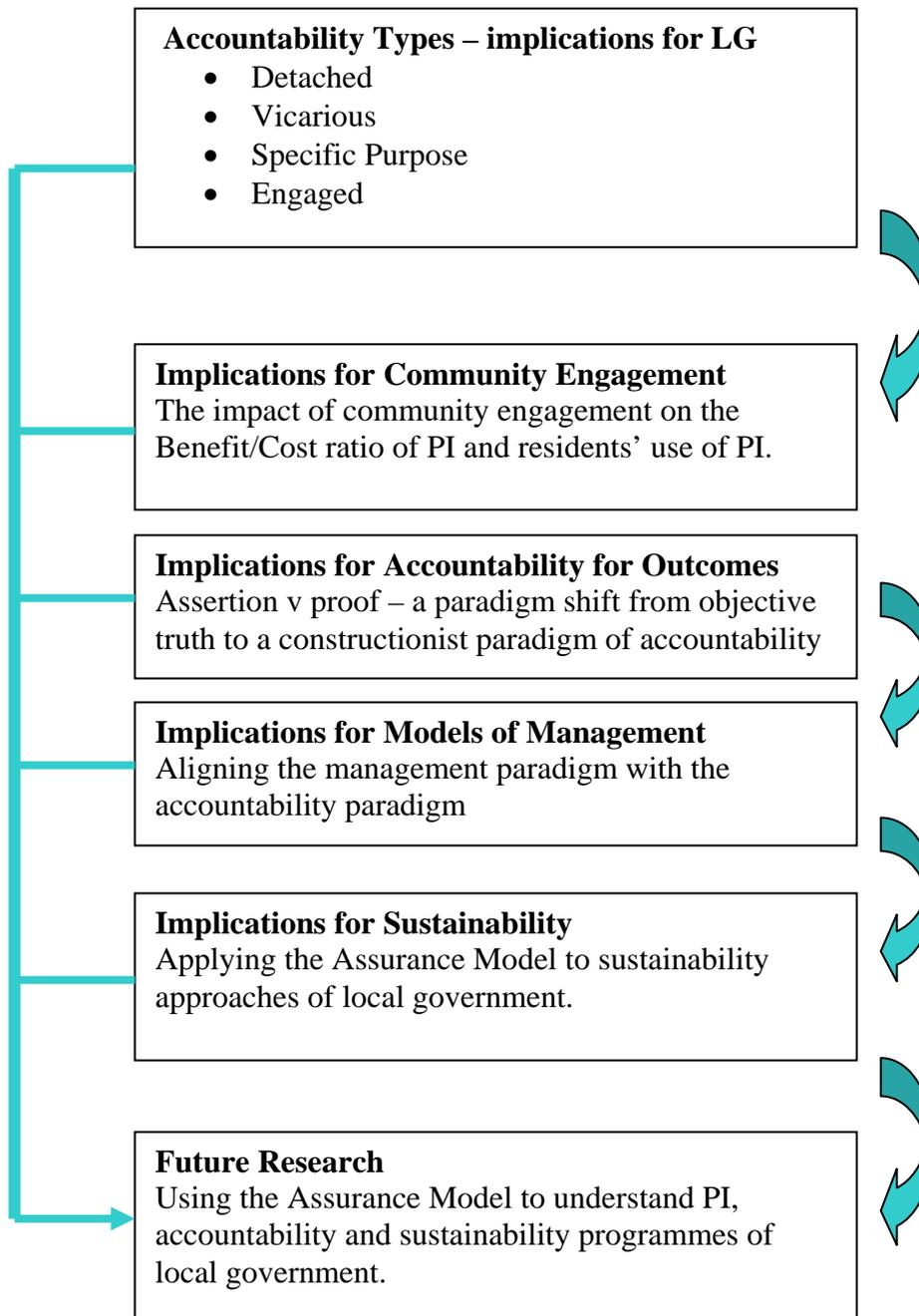
Chapter 5 concluded by presenting a tentative model of assurance in local government that provided a framework to understand the use of PI by residents in making judgements about the performance of local government. The tentative model broadened the concept of accountability to one of assurance as it was argued that the process by which residents formed their view was a complex one influenced by personal, institutional and exogenous factors and that the accountability processes of local government operate within a broader framework of assurance. For the purpose of this discussion the tentative model will be referred to as the Assurance Model.

Chapter 3, Research Methodology and Theoretical Perspectives, discussed how the rigour and validity in this research has been maintained within the constructivist ontology used in this study. In addition to rigour and validity the quality of the research is of particular importance in this study as an objective of the research was for its findings to be of practical benefit to the local government industry. The criteria presented by Corbin and Strauss (2008, p. 305) in Chapter 2 has been used to judge the quality of the research in light of the emerging theory, its possible application to real life issues and the suggested further research.

In this chapter the implications for local government will be discussed in relation to each of the Accountability Types and in so doing will demonstrate the *fit* and *applicability* of the findings. It will also be seen that although based on four distinct *concepts* of accountability, there can be significant variation when applied to a particular situation, and an explanation is provided of the *context* in which resident behaviour is likely to fit with one or other of the types, providing the *depth* and *variation* required to make the findings of use in practice.

The diagram in Fig. 11 provides a guide to how the information in this chapter is structured. Following a discussion of the implications of the Accountability Types that form the basis of the Assurance Model, the implications for community engagement, accountability, management models and sustainability will be discussed. The implications stand alone within the context of the four subject headings. However, they are interconnected and it will be seen that in the discussion the implications from one has relevance to the next subject.

Fig. 11 Structure of Discussion of Implications for Local Government and Recommendations for Future Research



6.2 ACCOUNTABILITY TYPES - Implications For The Use Of PI in Local Governments

The Assurance Model classified residents into four accountability types as shown in Fig.12.

Fig. 12 Accountability Types

Detached	Vicarious	Specific Purpose	Engagement
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The implications for the provision and use of PI are discussed for each type.

6.2.1 Detached

The behaviour exhibited by residents in this category is a result of the cost of searching and interpreting PI being higher than the benefit to that individual which they expect to gain from their 'use' of the information. In this study it is characterised by perceptions that the benefit of PI is so low that even low cost PI, such as that available in Annual Reports and accessible in a number of ways including the internet, is not worth the effort of obtaining it. It was found that this may be because residents are generally satisfied with the performance of their local government, and have little to gain from the information, or do not believe that the PI will assist them in gaining benefits as residents or users of the service the local government provides.

As the major part of the activities of local government are not demand driven this behaviour does not have an overtly detrimental effect on the local government, and it can continue to operate even if the majority of its residents are exhibiting this behaviour. The local government may see no reason to improve access to PI and incur the cost of providing it, particularly in the hard to measure areas of its performance such as community outcomes. This could be an explanation of the current situation in Western

Australia. The report of the Local Government Reform Working Group for Corporate and Strategic Planning commented that there is:

An underlying culture at both a state and local bureaucratic level that inexorably presents legislative compliance as the principal indicator of corporate performance ... and whilst there are examples within the sector of good organizational planning systems, overall it is not strong in the areas of strategic planning systems that present real, accountable and measurable linkage between community aspiration, financial capacity and logistical service delivery capability (West Australian Department of Local Government, 2010, p. 3)

The slow uptake of non-financial reporting in local government is in contrast to the significant trend in the private sector to report on non-financial measures, often within a social responsibility or sustainability framework (Commission of the European Communities, 2002, Quinlivan, 2000, Pugh and Saggars, 2007). The implication is that regardless of whether residents are satisfied with the performance of the local government, because perceptions of performance may not be based on actual performance (Walle & Bouckaert, 2003, UMR Research, 2006, p. 29), the local government could be operating inefficiently or not achieving the outcomes needed by the community it serves.

6.2.2 Vicarious

The reliance on others to monitor the performance of local government has a number of implications for local government. In the public sector the accountability process is largely determined by legislation and the parliamentary system (Cameron, 2004 p, 59). It is recognised that local government is different to other public agencies as elected officials govern them, but they do derive their authority from the State Government and are responsible to it for their performance (Public Accounts Committee, 2006 p, 67). The perception by residents that local government is accountable to a higher level of government may reinforce their low level of interest in PI.

Regulations for local governments to improve their reporting of performance could therefore reduce, rather than increase, residents' participation in the accountability of the local government with residents relying on the State Government to monitor it and act on sub-standard performance.

In Western Australia, local governments are required to submit their annual report to the Department of Local Government. However, the Department does not have the resources to either assess the quality of the reporting, or the actual performance of the local governments (Public Accounts Committee, 2006, p. 39). The findings of this study are that residents make little use of Annual Reports and the reports contribute very little to local government accountability to the community. There is a considerable compliance cost to local government to produce annual reports and the tentative model indicates that increased regulation could lead to higher compliance costs with no, or little benefit, in relation to accountability. This is consistent with the experience of governments in other States (Carnegie, 2005), New Zealand and the United Kingdom, where there has been a growing concern with the prescriptive nature of legislation and the resulting compliance costs (Brosnan & Cheyne, 2010, p. 24).

6.2.3 Specific Purpose

This study found that the activist group of participants made some use of PI, as was found in the New Zealand Study (UMR Research, 2006, p. 25), but did not rely on it to influence decisions of the local government. They did use information selectively when available, and used a range of methods to access it. The information was used to support their cause, with little indication that PI motivated them to take action. The motivation came from their own, or others, personal experience and was often linked to broader philosophical views on issues such as the environment, community safety and life style preferences.

The Assurance Model indicates that residents characterised by this behaviour pattern will make more use of PI if the cost is reduced. As was

found in this study, PI can influence their views leading to a more informed and balanced view. Information targeted to activists in the community can therefore be cost effective for local government.

A reliance on activists to provide input to local government decision-making also has its drawbacks, with participants in this study commenting on decisions being made in the interest of minority groups to the detriment of the general community. In their study of the experience of local government in New Zealand with the *Local Government Act 2002*, Brosnan and Cheyne (2010, p. 33) found that it required them to engage and partner with an already overburdened society, and that an over reliance on consultation to determine long-term goals may result in only extremist views being represented. Similarly studies of the use of people participating in political issues on the Internet found they were highly educated and already politically engaged, and the Internet served to broaden the gap between the information rich and the information poor (King, 2006, p. 21).

Brosnan and Cheyne (2010) also argued that although the legislation assumed that there is a diversity of participants taking part in the engagement process the literature shows this is difficult to achieve, given intensifying trends towards social exclusion. The majority of participants in the activist group of this study were retired, or reaching retirement age. Some of them had been elected members of the Council or had been, or were still, involved in community organisations. Supporting the contention of Brosnan and Cheyne of the difficulty in gaining the participation of people in local government affairs, there was a significant degree of difficulty in finding non-activist people to take part in this study.

It would appear that there has to be a significant motivating factor, and potential benefit, for residents in the Specific Purpose type of behaviour to become involved and make use of PI. For a local government to get residents involved in specific matters it will need to convince them of the benefit.

6.2.4 Engaged

The Assurance Model indicates that residents who are engaged in the workings of the local government will perceive a higher level of benefit from PI than residents not engaged in this way. Similarly, because of the engagement process, PI is gained at a lower cost resulting in a benefit/cost ratio that induces them to make more use of PI than a resident whose behaviour is characterised by one of the other three types. However, it is contended that the benefit/cost ratio of PI is influenced by a number of institutional and exogenous factors resulting in a tentative model of *assurance* to describe resident behaviour in relation to their perceptions about the performance of the local government.

6.3 IMPLICATIONS FOR COMMUNITY ENGAGEMENT

The implications for community engagement are considered in two parts. First, the impact of community engagement on the cost of PI to residents is considered followed by a discussion of how community engagement can improve the benefits of PI resulting in a higher benefit to cost ratio.

6.3.1 The Impact of Community Engagement on the Cost of PI to Residents

As discussed in Chapter 5, when discussing theory from the field of the economics of information, price advertising can make search extremely economical. This was equated to the amount of information available about the performance of a local government, with increases in its availability reducing the cost of search. Local Government can reduce the cost of information by making it accessible. However, there is a cost to the Local Government to do this. In Stigler's (1962) transaction theory, advertising will take place for products with a high marginal value and it was argued in Chapter 5 that local government would maximise its value from the "advertising" through publicising PI that has a high marginal value to residents and itself and that this could be achieved by focussing on community priorities.

The value of community engagement as a process to achieve this is found in Stigler's explanations for price dispersion. Stigler identifies a number of factors including:

- knowledge becomes obsolete when conditions change;
- the changing identity of buyers and sellers; and
- the emergence of specialist suppliers of information.

In Chapter 2, applying this to the use of local government PI, a number of factors were identified:

- the measurement periods may not reflect the pace at which the conditions change;
- users of the information may change their information preferences as new issues emerge and existing issues become less significant;
- change of elected members on the Council;
- staff turnover; and
- residents moving in and out of the area.

The dynamic nature of the demand for PI means that developing a set of indicators and reporting them each year is unlikely to meet the diverse and changing needs of residents. Grace (cited in Epstein, Coates & Wray, 2006, p. 11) provides a model of how to choose what measures to have. The model is based on understanding the *pressure points*, such as the shortage of potable water, created by human activities. By measuring the current state resulting from the pressure points it is possible to focus on improvement strategies to respond to them. As a result the local government reduces the cost to it of providing PI and the information has a high marginal value.

The sources on PI used by residents were identified in Chapter 4 and discussed in Chapter 5. They included government bodies, not-for-profit organisations, private industry and the news media. If the local government is to provide information in relation to the pressure points within the community it will need to consider the other sources of PI. The dispersion and volatility of PI will influence this and their motivation to work together will increase the value of public information (Angeletos & Pavan, 2007, p. 1104). This was commented on in Recommendation 1 of the Final Report of the VCIP

It was the clear intention of VCIP that community indicators were not only a technical exercise in the development of indicators and data sources. The aims were much broader than this and relate to enhancing citizen engagement, community planning and providing an evidence base for policymaking by both local and state governments.

The system for community well-being indicators needs to be established in recognition that it is a tool for supporting communities and strategies for data gathering; analysis and dissemination need to be designed with these aims in mind (VicHealth, 2006, p. 47)

Community engagement in which residents repeatedly renew their relationship with the local government can lead to higher levels of trust between them. Both institutional and personal trust develops and where personal integrity becomes a factor one party is less likely to take advantage of a situation to the detriment of the other for short-term gain (Williamson, 1979, p. 257). However, Walle and Bouckaert (2003) argue that the perceived performance of government is based on general perceptions of government performance regardless of its actual performance. The influence of the trust that residents have in the local government was discussed in Chapter 5 and it was postulated that increased trust reduced the need for PI and makes the PI that is provided believable. It was also discussed that this research found residents were more likely to trust the local government about its performance in relation to the efficiency of the administration than in relations to decisions on issues such as planning. This is consistent with the findings of Wall and Bouchaert that when citizens were asked more concrete questions in surveys the negative attitude to government largely disappears. This, they say, points to the need for studies of the causality of the relationship between trust and performance to take into consideration the context of the relationship. It is the contextual arrangements that determine perceptions about the government agency and in turn influences how receptive they are to information that may alter their general perception.

In summary, the cost to residents of using PI can be lowered by:

- the local government “advertising” PI that is useful to residents;
- improving the trust of residents in the local government so that the amount of PI required is reduced;
- focusing PI on issues of a high marginal value which reduces the cost of providing it and the cost of searching for it; and

- creating the contextual conditions that will encourage the use of PI in a collaborative relationship between the local government and residents so that the use of PI is directed at improving the community.

6.3.2 The Impact of Community Engagement on the Benefits of PI for Residents

The Assurance Model indicates that residents will increase their use of PI when they are engaged in local government issues. Brosnan and Cheyne (2010) discuss how community engagement can lead to members of the community being involved in issues in addition to what stimulated their initial involvement.

Community engagement in strategic planning provided a stimulus to other forms of engagement, indeed, the concept of governance does not confine networks of actors to strategic planning but encompasses networks for the purposes of monitoring and reporting on plan implementation as well as service provision and management of resources. Hence there is often an overlap of terminology, especially when referring to governance at the local level, and a blurring of distinctions between concepts such as local governance, devolution, collaboration and partnerships (Brosnan & Cheyne, 2010, p. 25)

As discussed in the last section, by focussing on areas of high marginal value the cost of PI can be lowered. Salaman (2002), when discussing collaboration, argues that there is the possibility of using performance measures to inform the community, improve their understanding of key issues and to involve them in deciding the priorities to focus on. The Victorian Community Indicators Project went further and identified the benefits of local community indicators of well-being as being:

A democratic tool for engaging citizens and communities in informed discussions about shared goals and priorities.

A policy tool, guiding evidence-based planning and action to address the issues identified as important by communities.

A reporting tool, tracking and communicating progress towards goals and outcomes (West, Wiseman & Bertone, 2006)

Further to this is the possibility to empower them to take action themselves, as individuals, or in community based action (Sustainable Seattle, 1998).

Effective community development efforts are based upon an understanding of the community's assets, capabilities and abilities, not deficiencies or needs (Langworthy, 2006, p. 8). While there are many examples of community centered programmes that have demonstrated the value of PI in the engagement process in support of the Assurance Model (Langworthy, 2006, Sustainable Seattle, 2006), the role of PI in the process of engagement is not clear. As discussed in Chapter 2, when thinking about communities a conceptual framework that can be used is one of "complex adaptive systems". It was discussed that understanding the flow of information will assist in understanding the system. In an advocacy perspective, data is used to underscore the values and beliefs of the advocates and has been used to assist in the engagement process.

The most effective way to engage people with different backgrounds and experience was to begin any potentially contentious discussion by focusing on data. (McCroskey, 2006, p. 132)

Osbaldiston & Sheldon (cited in Schmuck & Schultz, 2002) discuss social dilemma concepts in relation to sustainability. They argue that peoples' social values will influence their motivation to involve themselves in sustainability issues and their behavior can be changed by providing information and making laws. In circumstances where this takes place increasing the supply of PI can increase residents' motivation to be involved in issues and consequently the benefit of PI is increased. This is similar to that described by Gillen (2004) as a *context-based approach* that builds on local knowledge and may be linked to specific improvement goals. This may

be further enhanced by ensuring that the deliberative processes of community engagement operate within a strategic context, guided in a purposeful sense by government with effective processes, legislation and with monitored targets (Yencken, 2002, p. 35)

The provision of PI therefore has a two-fold effect, lowering the search cost to residents and at the same time increasing the benefit of PI. However, as discussed in Chapter 5, Angeletos and Pavan (2007) argue that more information does not necessarily increase public welfare. If, for example, actors aligning their actions enhance public welfare, they will prefer public information to private information with high dispersion and low volatility. However, the *noise* created by conflicting information can result in residents not being able to form a clear view on an issue and instead of motivating them, can result in them deciding that it is too difficult an issue to get involved in, lowering the benefit of the PI.

6.3.3 Implications for Local Government

The implications for local government are that they can increase the use of PI by engaging residents in the process. However, there is not a direct correlation between the amount of PI and the willingness of residents to take part in community engagement approaches, and factors such as social values, the engagement process itself, and the usefulness of the PI will affect it.

6.4 IMPLICATIONS FOR THE USE OF PERFORMANCE INFORMATION AT THE OUTCOME LEVEL

As discussed in Chapter 5, this study found that residents are more interested in issues that directly affect their quality of life than they are in the financial management or efficiency of the local government.

Planning issues, redevelopment, park management and those sorts of things are more of the ones that I have issues with. // The Meals on

Wheels a little while ago had deteriorated some what ... // Probably rubbish pick up has been poor ... // Our waste services I'm not so happy about because we only have two bins ...

State and Federal governments are adding to the demand for local governments to set objectives at the outcome level and to evaluate performance (Australian Government, 2006). An inter-governmental agreement between the Australian Federal Government and state governments established principles to guide inter-governmental relations on local government matters and requires that agreements should have agreed outcome measures and that priority should be given to demonstrating commitment to achieving outcomes rather than having an input focus (Kloot, 2001, p. 22).

An examination of the content of local government strategic plans in the state of Victoria found they focus on the social, economic and environmental needs of their communities (Langworthy, 2006, p. 2) and the need for accountability at the outcome level is well documented (Cameron, 2004). However, making local governments accountable for their performance at the outcome level is difficult. Discussing the experience of local governments in New Zealand with management at the outcome level Baehler (2003) states:

... almost everyone wants managers to account for their efforts in pursuit of effectiveness. On the other hand, almost everyone agrees that public managers should not be held directly accountable for results or outcomes because even state-of-the-art evaluation techniques are not sophisticated enough to isolate and measure the effects of government intervention on outcomes with the kind of accuracy necessary for an accountability regime (Baehler, 2003, p. 25)

This study argues that the cost of the information is a factor in the use of PI at the outcome level and the economics of information theory espoused by writers such as Stigler (1961) and Stiglitz (1977) is of relevance. The difficulty of measuring outcomes will increase the cost for the both the

supplier and users of PI. If residents are to use PI at this level it is necessary to find ways to provide useful PI at a cost that makes it attractive to the resident and the local government and/or increases the benefits to a point where it matches or exceeds the cost. The more recent contributors to the study of the economics of information offer some insights into *why* the costs and benefits are different for people in different circumstances, or why people in ostensibly the same circumstances may behave differently. The literature discusses the personal, institutional and exogenous factors that contribute to people's behaviour and use of PI (Williamson, 1979, Islamoglu & Liebenau, 2007) and they appear to affect the benefits side of the benefit/cost ratio more than the cost side. Initiatives that have only focussed on the production and dissemination of PI, such as government regulations to introduce performance measurement and reporting, have had limited success (Cameron, 2004, p. 62, Walker, 2002, p. 12) and the tentative model indicates that this may be because they only affect the cost side by making PI more accessible without increasing the benefit and thereby the motivation for residents to use it.

6.4.1 Measuring Outcomes - Assertion v Scientific Proof

Attempts to improve the use of PI by increasing its availability assume there is a direct and easily understood relationship between the PI and the actual performance of the local government. It is a positivist ontology in which facts are seen to prove the reality of the situation and the measures are a measure of the effectiveness of the local government. Baehler (2003) argues that managing for outcomes requires a different approach to verification. He argues that accountability resides somewhere between the continuum of assertion and scientific proof (Baehler, 2003, p. 26). This requires a constructivist approach to understanding how residents use PI. The need for a constructivist approach is more apparent when discussing outcomes, as, for reasons that have been discussed elsewhere, there is the possibility for multiple interpretations of the PI.

Recent writings about accountability in local government have introduced the concept of *public value* that emphasises the need for the public sector to search for what citizen's value (Smith, Anderson & Teicher, 2004, Smith, 2004). As discussed in Chapter 2, this requires dialogue and exchange between the actors involved and new and more open ways of governing. The implications of this for management and the governance of local government will be discussed later in this chapter.

The concept of public value recognises the presence of complexity, multiple objectives, and the role of residents to oversee government performance. The Assurance Model developed in this study includes a classification of "engaged" residents in which knowledge of the performance of the local government is formed through the "co-construction" of knowledge amongst multiple participants and a "negotiated knowledge" formed through a collective and deliberative process (Prior & Herriman, 2010, p. 64). In a constructivist approach to accountability precise measurement is less of an issue than in a positivist approach in which the data must speak for itself without the interpretation and active involvement of the actors.

6.4.2 Implications

The implication for local government is that when evaluating its outcome objectives residents can assist in the selection and interpretation of relevant data and possibly reduce the cost of information. However, for a local government, or a state or federal government regulator, it will mean giving up control of assessing performance at the outcome level and placing it in the hands of residents and other stakeholders.

6.5 IMPLICATIONS FOR THE ACCOUNTABILITY OF LOCAL GOVERNMENT

A constructivist view of accountability through the engagement of the community requires a process of collaboration to create public value.

For effective governing for results, significant community resources should be systematically guided by citizen priorities and measurement of results. Organisations that normally control significant resources for community well-being, such as a local government, can be well positioned to help their community govern for results if they are willing to empower citizens and use regular performance feedback (Epstein, Coates & Wray, 2006, p. 11)

At the outcome level, responsibility is shared not only between residents and the local government, but also with other organizations (Australian and New Zealand Health Policy, 2006, Memon & Thomas, 2006, Brosnan & Cheyne, 2010). However, the existence of shared outcomes, it is argued by Thurley (2003), should not result in blurred accountability and it is necessary to clearly define who is responsible for what, and the outputs the agency will contribute to in order to achieve the shared outcome. The existence of clearly defined and agreed goals also contributes to the success of community strengthening efforts (West, Wiseman & Bertone, 2006)

Evaluation of outcomes is complex and requires the insight of multiple stakeholders to effectively evaluate them (Boxelaar, Paine & Beilin, 2006, p. 113) and community strengthening efforts can provide the means by which residents can be involved in evaluating local government performance. The study of the Victorian Community Indicators Project to investigate the key elements required for successful community strengthening (West, Wiseman & Bertone, 2006) concluded that:

To build stronger social connectedness local leadership, partnership and local governance community strengthening requires a community-

centred approach grounded in an understanding of how to work with communities ... (West, Wiseman & Bertone, 2006, p. 38)

There is now a widespread belief in many local government jurisdictions, as well as in the growing body of literature on 'new governance', that performance information can assist in involving and empowering the community (Epstein, Coates & Wray, 2006, Woodward, 2005, Beilin & Hunter, 2011).

Epstein Coates et al. (2006) argue that there are four advanced practices communities require to advance and improve. The first three are:

- community problem solving: aligns engaging citizens and getting things done;
- organisations managing for results: aligns measuring results and getting things done; and
- citizens reaching for results: aligns engaging citizens and measuring results.

They argue that the fourth and most effective practice for improving the community condition is when the first three align creating a condition in which *Communities Govern for Results*

Carter (1991) posed the question of whether performance information systems will become recognised as instruments of democratic accountability, and proposed that if they do they inevitably will be adapted to respond to different sets of interests and values. However, while there are many examples of well-intentioned programmes, a question remains of how effective they are and there is the difficulty of choosing a suite of indicators and the need for extensive resources to support the community and to implement the decisions they make (Langworthy, 2006, 2002). In addition is the question of whether residents want to be involved in decision-making and to have responsibility for the outcomes of their decisions (King, 2006, p. 30). The Assurance Model indicates that the actors will have different levels of

motivation to become involved and there is the possibility of minority interests using the engagement process to achieve benefits that are not in the interests of the broader community.

All of the above issues need to be considered when considering accountability processes. What has been missing from the accountability processes and programmes to date is an understanding of the conditions under which residents will take an interest in the performance of their local government and/or become motivated enough to play an active part in achieving the outcomes they want.

6.5.1 Implications For Local Government

The implication of the findings of this study to the accountability of local government to residents for its performance is that improving current reporting systems and regulations may have little effect in improving accountability, particularly in relation to the things that matter to them most and affect their quality of life. New approaches are required (Warner, 2010) and although empowering residents provides a mechanism to achieve this, it comes with its own challenges, and understanding the differing needs of residents is a key to this. The Assurance Model provides a framework and insights to assist this.

6.6 IMPLICATIONS FOR LOCAL GOVERNMENT MANAGEMENT - positivist and constructivist models of management

As discussed in Chapter 2 new models of management are evolving (Smith, 2004) and can be classified into positivist and constructivist approaches to management. It has been argued that community engagement can improve the use of PI in accountability for its outcome objectives. However, this requires a constructivist approach by managers that can be in conflict with the positivist processes that have characterised New Public Management and it has been argued that a constructivist approach to management

requires a constructivist approach to the provision and use of PI (Boxelaar, Paine & Beilin, 2006). A significant finding of this study has been the dichotomy between residents' views of accountability for the efficiency and financial management of the local governments studied and accountability for its outcome objectives. Residents were willing to trust the administration to manage the financial and service delivery affairs of the local government and were more interested in PI that contributed to their understanding or involvement in matters that had a direct impact on their quality of life.

This study included interviews with senior managers in local government. The questions posed to managers were to examine their views about how residents use PI and how they use PI for accountability to residents. The Assurance Modal put forward in this study indicates that management attitudes to accountability will have a significant influence on their use of PI. A positivist view of performance measurement that performance can be accurately measured and the local government can assess its effectiveness and be held accountable for it will fit with the Detached and Vicarious forms of accountability. Comments by managers in this study supported this contention.

A lot of those are more important to the organisation. I don't think the community honestly wants to know very much ... // You need to be able to measure how you are going, whether or not it could be a resource issue, or it could be that you are going up the wrong road to try and solve a particular issue. // In my area we do; we have KPIs and we do meet those internally, but we don't communicate them to the public ... a lot of the KPIs that we set are internally driven, for example, you know, the amount of time that it takes to pay your suppliers.// We have got a scorecard which we measure the community against a number of domains including education, unemployment; all sorts of factors ... we've got a host of measures, 73 indicators in relation to well-being that we monitor on an ongoing basis.

If managers have a positivist view of performance measurement the major determinant of the use of PI is going to be cost as it is seen to have its own intrinsic value independent of how it may be used by the actors involved. However, there were also comments by managers in this study that demonstrated a constructivist view of the use of PI existed in the local governments examined and that this was in relation to the outcome objectives of the local government.

If you share problems with people, and inform and improve their level of knowledge of issues then you are able to get greater support for when things do go wrong and recognise that it is not just a PR exercise // They can be part of the solution, part of the air quality may be we are all sat in our cars, so where did the push for unleaded fuel come from, and cleaner burning diesel engines and wood fires. // ... have discussion and work backwards from there I guess. But some people have a very strong view that the measure is the end in itself rather than a discussion that goes around it. // Yes, so it leads us to dialogue in certain areas to manage certain stakeholders to achieve certain outcomes; most definitely ...

In a constructivist view of PI its value is contingent on its use by the actors involved and more, or better PI, does not automatically result in more effective evaluation of performance. The comments by managers indicate an understanding of the different ways in which PI can be used. The management approaches identified by Kelly & Muers (cited in Smith, 2004), and discussed in Chapter 2, classify the different approaches and is reproduced below.

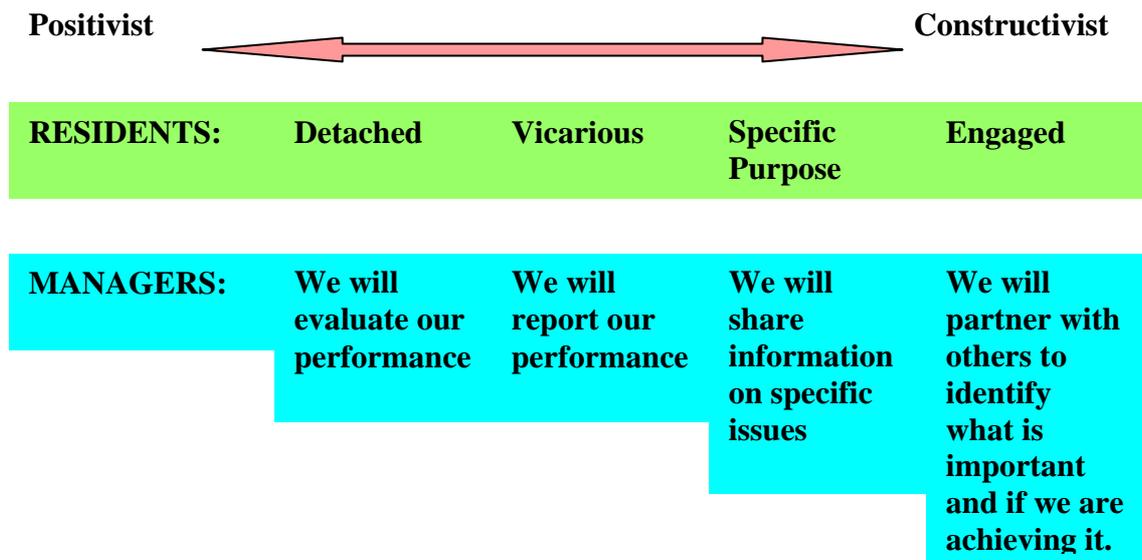
Table 1 Approaches to public management (reproduced from Chapter 2)

	Traditional public management	New public management	Public value
Public interest	Defined by politicians/experts	Aggregation of individual preferences demonstrated by customer choice	Individual and public preferences (resulting from public deliberation)
Performance objective	Managing inputs	Managing inputs and outputs	Multiple objectives -Service outputs -Satisfaction -Outcomes Maintaining trust/legitimacy
Dominant model of accountability	Upwards through departments to politicians and through them to parliament	Upwards through performance contracts; some times outward to customers through market mechanism	Multiple -Citizens as overseers of government -Customers as users -Taxpayers as funders
Preferred	Hierarchical department of self-regulating profession	Private sector or tightly defined arm's length public agency	Menu of alternatives selected pragmatically (public sector agencies, private companies, JVC's community interest companies, community groups as well as increasing role for user choice)
Approach to public service ethos	Public sector has monopoly on service ethos, and all public bodies have it	Sceptical of public sector ethos (leads to inefficiency and empire building) – favours customer service	No one sector has a monopoly on ethos, and no one ethos always appropriate. As a community resource it needs to be carefully managed
Role for public participation	Limited to voting in elections and pressure on elected representatives	Limited – apart from use of customer satisfaction surveys	Crucial – multifaceted (customers, citizens, key stakeholders)
Goal of Managers	Respond to political direction	Meet agreed performance targets	Respond to citizen/user preferences, renew mandate and trust through guaranteeing quality services

Source Kelly & Muers (cited in Smith, 2004, p. 77)

Applying Kelly and Muers classification to the accountability types in the Assurance Model, management styles may be seen to follow a continuum aligned with the behaviour of residents as shown in Fig. 13

Fig.13 Relationship of Management Approaches and Resident Accountability Type



Vigot-Gadot & Yuval (2003), in contrast to Boxelaar, Pain & Beilin (2006), have argued against criticism that the growth of the New Public Management model of management with its emphasis on measurement and efficiency has eroded democracy. They propose that it may in fact contribute to democracy, as a focus on measurement can improve trust between residents and the local government. However, democracy is a complex concept and this study found that the attitudes of residents toward the accountability of their local government is dependent on the interaction of many variables including the beliefs and values of the actors involved. It may be that a positivist view of performance measurement is, as argued by Boxelaar, Pain & Beilin (2006), incompatible with a collaborative approach to management. A study of local government managers found that they were aware of, and agreed with, the need to be accountable to multiple stakeholders (Kloot & Martin, 2001). This study indicates it may be that constructivist and positivists approaches to measurement do exist together depending on the

context, with a positivist approach being of benefit in relation to accountability for efficiency and financial management, and a constructivist approach required for setting, achieving and evaluating outcome objectives.

6.6.1 Implications For Local Government

Local governments need to consider their approach to management and how they use PI. Positivist approaches may be effective in some circumstances and constructivist in others. Statutory processes to regulate how local governments are to be accountable to residents will not be effective if they force local governments to adopt methods, such as producing reports, that are not compatible with how residents form their knowledge and perceptions about local government performance.

6.7 IMPLICATIONS FOR LOCAL GOVERNMENT'S SUSTAINABILITY PROGRAMMES

The Assurance Model indicates that residents who perceive local government services as being of value to their quality of life are more likely to take an active interest in the performance of their local government and to use PI. The need for residents to be reengaged in the local governance process to recognise the value of public services has been recognised (Decker & Bath, 2010, UMR Research, 2006) and sustainability programmes are a means of achieving this (Portney, 2005, Gillen, 2004).

Residents' perceptions of the value of sustainability programmes will be influenced by the prevailing paradigm that exists in relation to it (Yencken, 2002, p. 80). However, as has been discussed, the nature of the programme and the information provided play a role in residents' willingness to take part in the programme. The implications of the Assurance Model will be discussed in relation to the Sustainable Seattle programme discussed in Chapter 2 as the programme articulates a clear set of stages and objectives. It will be argued that the people involved address sustainability issues through the co-construction of knowledge, and if local governments are to

introduce similar programmes they will require a constructivist model of management. The impact of this on residents is analysed using the Accountability Types of the Assurance Model and the implications for local government are discussed.

6.7.1 An Example Using The Sustainable Seattle Programme

The operating model of Sustainable Seattle has seven interconnected stages:

- engage citizens;
- identify needs and priorities;
- promote dialogue;
- observe conditions;
- track conditions;
- support action and change; and
- positive impact on quality of life.

(Sustainable Seattle, 2006)

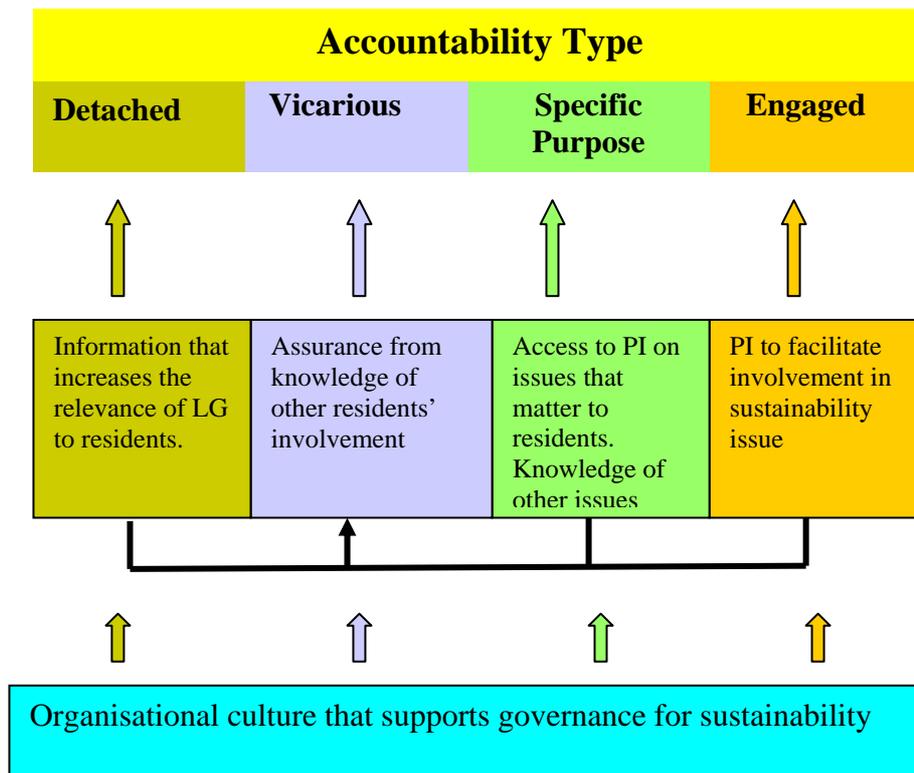
The first two steps in the process are to engage the citizens and identify their priorities. This is consistent with the discussion above that engagement with the community will improve the use of PI by identifying community *pressure points* and *community priorities*. The need for dialogue is one of the institutional factors discussed in the development of the tentative model as contributing to the increased use of PI. Having established institutional and exogenous factors supportive of the use of PI, the Sustainable Seattle model then used measures of the community condition to observe the present condition, decide improvement targets and track conditions to monitor progress toward the objectives. The final two stages of the Sustainable Seattle model relate to the benefits from the use of PI gained through the active involvement of the participants who are involved in achieving the desired changes and improving the quality of life for themselves and the community.

Aligning the management model of a local government to the constructivist approach of sustainability programmes will require having an appropriate culture within the organisation. As described in Chapter 2, Richard Barrett identifies seven levels of organisational consciousness. The highest level is Service Consciousness at which the organisation cares about social justice, human rights, ecology and the global environment, displayed through a commitment to the common good and the well being of future generations (Barret, 2005, p. 10)

6.7.2 Implications for Local Government

Applying the findings of this study, sustainability programmes can be used to increase the use of PI by providing appropriate PI and information about the programme to residents according to their Accountability Type as shown in Fig. 14. This will require the local government to have a culture and management approach that aligns with the programme.

Fig. 14 Possible Impact of Sustainability Programme on Residents' Accountability Type



A sustainability programme can increase the number of residents within the Engaged Type of accountability. This in turn could have a positive effect on other categories, with residents in the Vicarious Type perceiving a greater sense of assurance in the knowledge that other residents are actively involved in holding the local government to account for its performance. The sustainability programme can also increase the availability of information lowering the cost to the Specific Purpose Type and motivating them to become involved in a wider range of issues. Information informing residents of the value of the programme can educate residents in the Detached Type of the value of the local government's activities, influencing their level of assurance and possibly moving them to another Accountability Type of behaviour. A study of sustainability programmes (Peris, Acebillo-Baqué & Calabuig, 2011) supports the above contention finding that the process encouraged a culture of open, transparent information available to the actors involved and the public.

6.8 SUMMARY AND PROPOSALS FOR FURTHER RESEARCH

The central question posed in this research was in relation to local government accountability and the use of financial, efficiency, effectiveness and sustainability performance reports and their use by stakeholders. The research sought to investigate:

How does information about the performance of a local government contribute to making it accountable to stakeholders for its performance in relation to its efficiency, effectiveness and sustainability objectives.

The analysis of the data in this study found six core categories. They were:

- The service expectations of residents and the relationship they have with the local government.
- The impact of how information about local government services and performance is communicated to residents.
- The use of performance information by residents to evaluate the

performance of local government.

- The different forms of accountability in local government and the role of performance information in this purpose.
- Residents' understanding of the concept of sustainability, their views on the role of local government in sustainability matters, and how performance information is used in this process.
- The function and value of community engagement and its role in local government accountability.

The discussion of the study was narrowed to investigate how PI contributes to holding a local government accountable to residents for its performance and to see if a theory to explain this emerged from the data. Performance and performance information were given a broad definition to include any aspect of a local government's role that the residents believed important to them including their efficiency, financial management and achievement of community outcomes. As it was found that there is little use of formal performance reports by residents, any information from any source that contributed to residents' perceptions of the performance of the local government was considered.

Theory from the discipline of the economics of information, in particular transaction cost, was used in the discussion to categorise the behaviour of residents in relation to accountability and the use of PI into four types: *detached, vicarious, specific purpose and engaged*. This was further explored applying understanding from the theory of the economics of information to investigate how institutional and exogenous variables influence the use of PI by residents, resulting in a tentative model of assurance. The Assurance Model indicated that residents' perception of the performance of local government is based on the interaction of personal, institutional and exogenous factors and will vary with the context of the situation, and when placed in different circumstances their behaviour may be characterised by differing types of behaviour.

This research was undertaken to provide insights into what has been a major focus of change in the management of local government in Australia and many other countries, that is the use of performance indicators to improve the efficiency and effectiveness of local government. While there are many practical examples of the use of PI there has been little examination of its contribution to making local governments accountable for their performance, and understanding the variables that affect it.

The study found that residents were more concerned about the performance of their local government in maintaining and improving their quality of life than in its efficiency, and that they believe it is the role of residents to judge how effective the local government is in achieving this. It has been proposed that community engagement is a way of involving people in evaluating performance at the outcome level. The discussion about community engagement led to a further discussion about positivist and constructivist ontological stances on the use of PI and its implications for the role of PI in accountability processes and models of management. It has been proposed that a constructivist model of management will require newer approaches to management than have been evident in recent years and a move away from, or adaptation of, that based on traditional or New Public Management principles. It may be that managers of the future will be “knowledge facilitators” (Smith, 2004, p. 76), assisting all of the actors in the process to have access to reliable and relevant information and opportunities for joint decision making.

As discussed in Chapter 2, one of the criteria to evaluate the quality of the research is *contextualisation* of the concepts. Further investigating the influence of the personal, institutional and exogenous factors on residents’ attitudes and behaviour in relation to accountability and their use of PI within different contexts will test the robustness of the model, add *depth* and *variation* and, broaden the *applicability* of the research. The practical benefit of this will be to assist in developing programmes to improve the use of PI.

This study has provided a framework to understand residents' use of PI. The categorisation of accountability types replaces the "one cap fits all" approach that has existed in local government and provides a framework for local government to tailor its accountability activities to meet the needs of specific groups taking into account the context and changing conditions in which it is operating. The implications go beyond the reporting and accountability activities of local government and raise questions about the management approaches of local government and the philosophy underpinning it.

6.8.1 Recommendations for Further Research

Further research can evaluate the value of the accountability types described in the Assurance Model and the conditions under which they apply. The research can bring together three areas of primary focus in local government, community engagement, accountability for performance, and sustainability to understand their complimentary roles and how local government and its stakeholders can maximise the benefits to be gained from them within a complex adaptive system, as proposed by McCrosky (2006).

The emerging model is a framework to assist in understanding the use of PI in the accountability processes of local government and does not offer a hypothesis to be tested. For this reason it is recommended that an Action Research approach is used to explore the phenomenon further. Action Research has proven to be a useful method for assessing the adequacy of a framework of ideas. The framework provides the basis for the development of the methods to be used in the action research to achieve specified outcomes in the area of concern (Checkland & Holwell, 1998, p. 13). Action Research acknowledges the limitations of the ability to generalise the findings. However, it is a natural progression of the approach to the rigour of this study based on the:

defensible reasoning, plausible alongside some other reality that is known to author and reader (Lincoln & Guba, 2000, p. 78)

It is to be hoped that the research will contribute to improving the use of PI, the accountability of the local government/s and the quality of life of participants in the research as well as expand knowledge of the subject.

6.9 CONCLUSION

This study began out of the perceived need of the researcher to improve understanding of the use of performance indicators in local government and the implications of those for accountability. Local government is also playing an important role in sustainability issues, building on the expectations of residents that local government has a broad responsibility to improve their quality of life as both provider of services and partner and advocate, and the research sought to explore how this was affecting approaches to the accountability of local government.

The choice of a qualitative methodology allowed the research to be guided by the data and the findings that emerged. The result was that the study drew on areas of theory, namely the economics of information, which had not been considered in the initial literature review. It provided a means of classifying residents into accountability types and provided an unforeseen perspective on accountability in local government. Perhaps fortuitously, the theory around the economics on information has moved from being firmly in a positivist paradigm to a constructivist paradigm, giving greater consideration to the institutional and exogenous influences on personal choice. As a result, the emerging model was able to draw on this body of knowledge to explain the real life complexities affecting the use of PI in local government.

The emerging model is a first step in this understanding and the proposed further research using an action research method has the added benefit of both improving knowledge and bringing about organisational and community change.

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Legislation

Western Australian Local Government Act 1995

Sustainability Bill 2004

Every reasonable effort has been made to acknowledge the owners of copyright material. I would be pleased to hear from any copyright owner who has been omitted or incorrectly acknowledged.

12 Jarrah Road
East Victoria Park
Western Australia 6101

Date

City of

Dear

I am seeking your participation in a research study to investigate what information people would like to receive or have access to about the performance of their local government. I have worked in local government for sixteen years with considerable experience in senior management positions and am conducting this research under the auspices of the Curtin University of Technology Graduate Business School.

The research will be conducted in accordance with the National Statement on Ethical Conduct in Research Involving Humans issued by the National Health and Medical Research Council and has been approved by the Curtin University of Technology Human Research Committee. This ensures that your welfare and rights to confidentiality will always take precedence over the research itself.

I would like to interview you about what you would like to know about the performance of the (local government). The interview will take approximately one hour and the information will be added to data gained across a number of local governments ensuring that your responses cannot be identified as coming from you. With your permission the interview will be tape recorded and transcribed to produce a written record for research purposes. You will be given a copy of the transcription to confirm that it is an accurate record of what you said, and a coding system will be used to remove the possibility of the transcription being identified with you by anyone other than myself, or persons authorised by the university to have such access.

The research will improve our knowledge of what information people want about the performance of their local government. This will allow local governments to develop cost effective processes to inform and involve the community in decisions and to be accountable for their performance.

Yours Sincerely

Dale Quinlivan

PARTICIPANTS INFORMATION SHEET
DOCTORAL RESEARCH PROJECT: ACCOUNTABILITY IN LOCAL
GOVERNMENT

The research is being conducted under the auspices of the Curtin University of Technology Graduate Business School. Its purpose is to investigate the information needs of stakeholders about local government performance. The research will improve our knowledge of what information stakeholders want about the performance of local government, and assist local governments to develop cost effective processes to meet their needs and maximise the benefits to the stakeholders, the local government and society.

This study has been approved by the Curtin University Research Ethics Committee. If needed, verification of approval can be obtained by either writing to the Curtin University Human Research Ethics Committee, c/- Office of Research and Development, Curtin University of Technology, GPO Box U1987, Perth 6845, or telephone 9266 2784.

The research will be conducted in accordance with the National Statement on Ethical Conduct in Research Involving Humans issued by the National Health and Medical Research Council. Your rights, confidentiality and welfare will always take precedence over the research itself. To achieve this the research will:

- respect the beliefs, perceptions, customs and cultural heritage, both individual and collective, of persons involved in the research;
- respect and protect the privacy, confidentiality and cultural sensitivities of the participants and/or the collectivity;
- gain formal consent from all participants prior to their involvement.

Your anonymity is assured. No reference will be made in any report or thesis to your name or other identifying characteristic. The information from your involvement will be added to other data gained across a number of local governments ensuring that you and your responses cannot be identified. If you are involved in an interview it will be tape recorded and transcribed to produce a written record for research purposes. You will be given a copy of the transcription to confirm that it is an accurate record of the interview. A coding system will be used to remove the possibility of the transcription being identified with you by anyone other than the researcher, or persons authorised by the university to have such access.

If participating in a focus group you will be required to use a decision support system. The purpose and use of the system will be fully explained to you by the researcher. Information from the system along with the audio recording of the session will be used to compile a report that you will be asked to read and endorse as a correct record of the proceedings. The focus group report will not attribute specific responses to questions to any individual participant, but instead will contain composite details of views and issues raised. The transcriptions and records will be maintained in a secure location within the Curtin University of Technology's Graduate School of Business for a period of five years on completion of the study.

Your participation is completely voluntary and you are at liberty to withdraw from the research at any time without prejudice or negative consequences.

Details of the researcher:

Mr Dale Quinlivan
 12 Jarrah Road
 EAST VICTORIA PARK WA 6101
 Telephone :- Day: 08 9461 3263 Evening: 08 9355 4273
 Mobile: 041 958 623
 email: thebay@inet.net.au

Details of Supervisors

Supervisor Associate Professor Maureen Bickley Graduate School of Business Curtin University of Technology 78 Murray Street PERTH WA 6000	Co-Supervisor Professor Margaret Nowack Graduate School of Business Curtin University of Technology 78 Murray Street PERTH WA 6000
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Ethics Issues

You may contact the Curtin University of Technology's Human Research Ethics Committee if you have any queries about ethical issues concerning this research project, or if you wish to lodge a complaint. Contact:

The Secretary
 Human Research Ethics Committee
 C/- Office of Research and Development
 Curtin University of Technology
 GPO Box U1987
 PERTH WA 6845
 Email: S.Darley@curtin.edu.au
 Telephone: 08 9266 2784

PARTICIPANT'S CONSENT FORM

I, _____ agree to participate in the doctoral research project entitled "Accountability in Local Government" conducted by Dale Quinlivan under the auspices of the Curtin University of Technology Graduate School of Business.

In agreeing to take part in the research project I acknowledge that:

- I have been given a copy of the Information Sheet for the research and am aware of the ethical standards the researcher is bound by and of my right to make a complaint should I feel the need to.
- I have been informed of the purpose of the research and had the opportunity to ask questions about the research and my involvement in the project.
- I understand that participation in the research is voluntary and that I may withdraw from it at any time without prejudice.
- I fully understand the time commitment and the process for me to review the information obtained from my involvement in the research.
- any information that may potentially identify me will not be used in published materials without my written consent.

Participant's Signature

Date

12 Jarrah Road
East Victoria Park
Western Australia 6101

Tel: 9355 4273 Mobile: 0419 958 623
Email: michael.quinlivan@postgrad.curtin.edu.au

Date

Address

Dear

Thank you again for agreeing to take part in the research I am conducting about what information people want to have available to them about the performance of the City of XXXX, why it should be available and how it can be used. There are many views on the above questions and participants in the focus group will have every opportunity to express their views and discuss them with other members of the group. There will be about eight people in the group all of whom are residents of the City.

The meeting will be recorded and a person will take notes to assist when analysing the discussion. A report of the discussion will be sent to you for comment at which time you can question what has been recorded and clarify your views on a particular issue.

The research will allow local governments to develop cost effective processes to inform and involve the community in decisions and to be accountable for their performance. Having worked in local government for many years I am aware of the huge gap that exists in our understanding of this and your participation will help in improving this very important sector of government.

The Focus Group is to be held at 6.00pm on Wednesday 13 April 2007 at:

Room
City of XXXX
Address line 1
Address line 2

You will be met in the foyer and directed to the room.

If you have any questions or concerns please do not hesitate to contact me on any of the above telephone numbers or email address.

Yours Sincerely

Dale Quinlivan

PARTICIPANTS INFORMATION SHEET
DOCTORAL RESEARCH PROJECT: ACCOUNTABILITY IN LOCAL
GOVERNMENT

The research is being conducted under the auspices of the Curtin University of Technology Graduate Business School. Its purpose is to investigate the information needs of stakeholders about local government performance. The research will improve our knowledge of what information stakeholders want about the performance of local government, and assist local governments to develop cost effective processes to meet their needs and maximise the benefits to the stakeholders, the local government and society.

This study has been approved by the Curtin University Research Ethics Committee. If needed, verification of approval can be obtained by either writing to the Curtin University Human Research Ethics Committee, c/- Office of Research and Development, Curtin University of Technology, GPO Box U1987, Perth 6845, or telephone 9266 2784.

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- respect and protect the privacy, confidentiality and cultural sensitivities of the participants and/or the collectivity;
- gain formal consent from all participants prior to their involvement.

Your anonymity is assured. No reference will be made in any report or thesis to your name or other identifying characteristic. The information from your involvement will be added to other data gained across a number of local governments ensuring that you and your responses cannot be identified. A coding system will be used to remove the possibility of the record of the meeting being used to identify you by anyone other than the researcher, or persons authorized by the university to have such access.

The focus group you will attend will be comprised of residents of the City of Melville. Only first names will be used and no other personal information will be made known to other members of the group. The focus group report will not attribute specific responses to questions to any individual participant, but instead will contain composite details of views and issues raised. The transcriptions and records will be maintained in a secure location within the Curtin University of Technology's Graduate School of Business for a period of five years on completion of the study. You will be sent a copy of the record of the meeting for comment.

Your participation is completely voluntary and you are at liberty to withdraw from the research at any time without prejudice or negative consequences.

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Mr Dale Quinlivan
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PARTICIPANT'S CONSENT FORM

I, _____ agree to participate in the doctoral research project entitled "Accountability in Local Government" conducted by Dale Quinlivan under the auspices of the Curtin University of Technology Graduate School of Business.

In agreeing to take part in the research project I acknowledge that:

- I understand that my participation will require taking part in a focus group discussion of approximately 90 minutes duration and in reviewing and endorsing the report of the outcomes.
- I have been informed of the purpose of the research and had the opportunity to ask questions about the research and my involvement in the project.
- I understand that participation in the research is voluntary and that I may withdraw from it at any time without prejudice.
- I have been given a copy of the Information Sheet for the research and am aware of the ethical standards the researcher is bound by and of my right to make a complaint should I feel the need to.
- any information that may potentially identify me will not be used in published material without my written consent.

I agree to participate in the research project.

Participant's Signature

Date

STAKEHOLDER QUESTIONS
LOCAL GOVERNMENT ACCOUNTABILITY

Dale Quinlivan
 Student No: 08954134

1. **(a) Tell me how you feel about your *local government* (using the name of the LG)**
 (b) What has been your personal experience of *local government*?

Look for:

- Positive and negative attitudes toward local government.
- Knowledge of local government services (as opposed to State and Federal).
- Level of past and current interaction.

2. **(a) How good a job does the *local government* do (ask for examples)?**
 Supplementary questions:
 (a) Do you think the *local government* provides value for money?
 (b) Overall, does the *local government* improve the quality of life for you and other people in the area, if not should it?

Look for:

- Their perceptions of overall performance and areas of special interest to them.

3. **(a) Why do you think this about *local government*?**

- The degree to which their perceptions are informed by data and information.
- Their knowledge of what information is available and how to access it.
- The level of satisfaction with current sources of information.

4. **(a) What information is, or would be, of most interest to you about the performance of local government?**
 (b) In what ways do you think local government should provide the information to be of most use to you.

Look for:

- Information preferences
- The relative mix of information between internal effectiveness, efficiency and financial and external outcomes (triple bottom line).
- Preferences about how to receive or access the information.
- The purpose of the information – passive regulation versus active participation.

5. (a) Are you familiar with the term “sustainability”?

Look for:

- Their interpretation of what sustainability means – if necessary explain it is about meeting the needs of current and future generations – economic, social and environment.
- Whether they believe local government has a responsibility for sustainability global, local or only in relation to local government operations.

6. ***What information about sustainability would you like to be able to get from the local government?***

Look for:

- Do they have specific areas of interest - economic, social, environment.
- Do they want to be involved – how – lifestyle, sustainability initiatives.?

7. (a) ***The local government has to comply with various government requirements and report they have done this. Various community groups also watch over it. Do you think it is important to have government and non-government bodies monitoring the performance and activities of the local government?***
(b) ***Why do you think this?***

Look for:

- The degree to which they want information to form their own opinion about the performance of the local government, or want assurance from third parties.
- The level of trust that the local government will do what is best for the community.

Close

Thank you for your participation. As I have explained the tape recording will be transcribed, and a copy given to you for you to verify that it is accurate.

FOCUS GROUP MEETING

Discussion Topic:

To discuss what information you currently access about the performance of the City of Melville and how it can be improved, including why you want it and how and when you would like to access the information.

Note: The meeting participants are to identify the topic/issues for discussion themselves so long as they relate to the above topic. This is to allow them to raise new issues without being constrained by the research to date.

Agenda:

- Check they have read the information sheets, provide a recap and answer questions. Describe qualitative research.
- Describe the meeting process.
- Collect signed participant consent forms.
- General discussion to identify topics to be discussed during the meeting – write on whiteboard and prioritise.
- Begin with one topic and allow it to flow into others.
- If required introduce a topic.
- Record key points on each topic to aid memory during the discussion.

Key areas to enquire into:

- How important is the City and its services in their lives – do they care about its performance.
- How do they judge the performance of the City? Are their perceptions informed by facts or are judgements made on their and/or others experiences?
- Do they trust the administration and the Council?
- Are they interested in efficiency or outcomes?
- Do they understand and care about sustainability and triple bottom line?
- Do they think local government should be regulated – less or more and for what reason.
- In what way, and for what performance should the City be accountable to the community?
- How does the level of trust effect the relationship?

Observations:

- Note who if anyone dominated the conversation.
- Did people hold strong views at the beginning of the meeting or develop them through discussion?
- Note key points on which there appeared to be consensus.
- Note key points on which there were divergent views.
- Was there a notable difference in how strongly some people felt about the issues.

**Audit Report for Dale Quinlivan
15th September 2009.**

An audit of the NVivo files was conducted by Dr Margaret McCabe. Dr McCabe is not a member of the student's Thesis committee and has until now had no involvement in the student's research.

Initial examination shows that there were 31 case files.

A random audit of the tree nodes show that the various units of text selected for a specific node supports the node title that the text was assigned to.

Free nodes were examined in the same way and were found to have consistency between node titles and the text assigned to them.

Memos are written to support interpretation and do not appear to be linked to a data retrieval process.

The interpretation of the data as assigned by the student is logical and consistent.

The audit process indicates that there is possibly a number of free nodes that are not contributing to the tree node structure. For some of the nodes examination of the assigned text shows that they do not make a significant contribution to the body of the findings. For others it is not so obvious. A recommendation is that these be revisited with an eye to justifying in the mind of the researcher why they are not included.

Local Government Accountability Tree Nodes

Tree Nodes

Name	Sources	Ref
Accountability of Local Government	25	
Accountability to community	24	62
Manager's Views About accountability	4	
target setting	3	
Vicarious accountability	3	
Personal values	1	1
Regulation	0	0
Performance comparisons	2	
regulation driven	3	
regulation needed	20	
Regulation not required	11	
Regulation not required activists	5	
Regulation not required managers	6	
Trust	16	33
Communicating Information About the Performance of Local Govn.	0	
Financial Information	12	18
Information about outcomes	19	38
information about performance	23	59
Information about performance manage	12	
Information about performance resident	9	
Information about services	6	8
Information benefit	16	35
Information benefit all residents	7	
Information benefits Managers	8	
Name	Sources	Ref

Tree Nodes

Name	Sources	References
annual report	21	42
Responsibility for information	1	1
Sceptical about information	7	11
Community Engagement	1	1
inadequate planning	2	2
leadership	6	8
Participation	14	31
pressure groups	16	32
public input	17	33
Public Input activists	9	22
Public input managers	7	8
Role of elected members	2	4
Service Expectations and Relationship	0	0
Quality of Life - LG Role	18	34
community service decisions	14	23
Community service decisions managers	6	9
Community service decisions non-activist	1	3
community service decisions activist	5	7
cost shifting	2	4
Council overruled	1	1
quality of life	15	44
reflect on performance	1	1
relationship with ratepayers	13	19
service expectations	10	27
Resource restrictions	4	8
staff turnover	1	1
Satisfactory service	25	50
Unclear Gov Responsible	9	17

Local Government Act 1995

Administration **Part 5**

Annual reports and planning **Division 5**

s. 5.54

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5.53. Annual reports

(1) The local government is to prepare an annual report for each financial year.

(2) The annual report is to contain —

(a) a report from the mayor or president;

(b) a report from the CEO;

[(c), (d) deleted.]

(e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year;

(f) the financial report for the financial year;

(g) such information as may be prescribed in relation to the payments made to employees;

(h) the auditor's report for the financial year;

(ha) a matter on which a report must be made under section 29(2) of the *Disability Services Act 1993*;

(hb) details of entries made under section 5.121 during the financial year in the register of complaints, including —

(i) the number of complaints recorded in the register of complaints;

(ii) how the recorded complaints were dealt with;

and

(iii) any other details that the regulations may require;

and

[Section 5.53 amended by No. 44 of 1999 s. 28(3); No. 49 of 2004 s. 42(4) and (5); No. 1 of 2007 s. 6.]

Local Government Act 1995**Part 5** Administration**Division 7** Access to information**s. 5.94**

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5.94. Public can inspect certain local government information

A person can attend the office of a local government during office hours and, unless it would be contrary to section 5.95, inspect, free of charge, in the form or medium in which it is held by the local government and whether or not it is current at the time of inspection —

- (a) any code of conduct;
- (aa) any regulations prescribing rules of conduct of council members referred to in section 5.104;
- (ab) any register of complaints referred to in section 5.121;
- (b) any register of financial interests;
- (c) any annual report;
- (d) any annual budget;
- (e) any schedule of fees and charges;
- (f) any plan for the future of the district made in accordance with section 5.56;
- (g) any proposed local law of which the local government has given Statewide public notice under section 3.12(3);
- (h) any local law made by the local government in accordance with section 3.12;
- (i) any regulations made by the Governor under section 9.60 that operate as if they were local laws of the local government;
- (j) any text that —
 - (i) is adopted (whether directly or indirectly) by a local law of the local government or by a regulation that is to operate as if it were a local law of the local government; or
 - (ii) would be adopted by a proposed local law of which the local government has given Statewide public notice under section 3.12(3);
- (k) any subsidiary legislation made or adopted by the local government under any written law other than under this Act;
- (l) any written law having a provision in respect of which the local government has a power or duty to enforce;
- (m) any rates record;
- (n) any confirmed minutes of council or committee meetings;
- (o) any minutes of electors' meetings;
- (p) any notice papers and agenda relating to any council or committee meeting and reports and other documents that have been —
 - (i) tabled at a council or committee meeting; or
 - (ii) produced by the local government or a

committee for presentation at a council or committee meeting and which have been presented at the meeting;

(q) any report of a review of a local law prepared under section 3.16(3);

(r) any business plan prepared under section 3.59;

(s) any register of owners and occupiers under section 4.32(6) and electoral rolls;

(t) any contract under section 5.39 and variation of such contract;

(u) such other information relating to the local government —

(i) required by a provision of this Act to be available for public inspection; or

(ii) as may be prescribed.

[Section 5.94 amended by No. 49 of 2004 s. 42(7); No. 1 of 2007 s. 7.]