ABSTRACT

Performance measurement has been introduced in the local government environment in the UK through the use of performance indicators. The introduction of these measures has often been associated with the movement towards improvement in the quality of services provided by local government to the citizens. The State Government of Victoria, Australia recently enacted legislation which requires the 78 local councils in the State to report on their performance through the Office of Local Government in the Department of Infrastructure. The method of reporting is through the supply of values for a set of performance indicators which have been laid down in the legislation. This paper presents the results of a survey of local government officers in Victoria Australia who are responsible to the councils for the preparation of the performance indicator reports to the State Government. The paper reports on the state of preparedness of the councils to produce the performance indicators. It also reports on the perceptions of the local government officers of the relationship between the performance indicators and the quality of services provided by Victorian local councils to their citizens.

1.0 Introduction

The role of local government touches the lives of all citizens, often providing or facilitating the provision of services central to the lives of those citizens. As reported by Donnelly[1998], the moves towards the collective provision of services by local government brought about the plentiful supply of potable running water, a safety net health service and environmental protection among other benefits. All of these provisions relate to the quality of life of citizens and represent part of the civilising of society. As local governments developed and matured, the scope of their provision of services, one of their many complex and often interacting roles, expanded into other fields. The role of local government was viewed by some as continuing to act as in the past, with budgets expanding to compensate for inflation and additional demands for existing and new services.

In the United Kingdom, this changed significantly in the 1980’s, and the Audit Commission in England and the Accounts Commission in Scotland began to address the issue of performance measurement in local government. Under the Local Government Act 1992 the Audit Commission was required to formally collect indicators which were to reflect efficiency and effectiveness of local council services. A range of local council services is measured using 200 indicators. (Industry Commission [1997]) and contextual information is included to help in the interpretation of the indicators and the differences between councils.

In Australia, the Commonwealth Government, as a provider of significant funding to local government, has taken an increasing interest in local government performance. The Local Government (Financial Assistance) Act 1995 required the Commonwealth Minister for Local Government to report annually to parliament on the performance of local government. The report is to be ‘based on comparable national data’. At present, there are no nationally based performance measurement systems in place. All States have established their own systems for the measurement of performance. The situation has increased in complexity in recent years as a result of significant reorganisation of local government throughout Australia. This process has advanced more quickly in some states than in others, and so the process of...
Performance measurement and reorganisation have developed and advanced inhomogeneously across the Commonwealth.

2.0 Performance Measurement

One of the issues quite often mentioned in literature is the dimensions on which performance should be measured. Authors offer a variety of dimensions to be used for performance measurement. Attention at the moment varies from the measures of input, output and outcome to the relationship between them. Performance can be measured using the dimensions economy, efficiency or effectiveness. The traditional approach is to have a performance system with indicators to measure economy and efficiency, rather than effectiveness or to measure outcomes. However, how to measure outcome is an important problem, especially in local government because of the difficulty to define objectives with different stakeholders. That is why Tichelar (1998) observed that “a general view from the literature was that outcome measurement was still in its infancy, and that greater attention should be given to developing performance indicators in the context of political debates about the purpose of public services”.

For local government, from the body of literature, there is a recognised tendency to measure something easy in terms of costs and data collection. Palmer (1993) in her study of local government performance in the UK concluded “authorities, perhaps not surprisingly, concentrate on measuring what is easily measurable and this results in a bias towards measuring performance in terms of economy and efficiency, rather than effectiveness” (Palmer, 1993). With the same view, Carter (1987) observed that the performance indicators systems in local government that “tend to have few performance indicators sensitive to consumer’s needs or to quality” (Cit. Palmer, 1993). Another issue of performance measurement in local government that attracts attention is the capability of using indicators for valid comparison between councils. The approach of using performance indicators for comparing seems to be active in UK, Australia, including Victoria and US. However, recent research on this issue in the UK challenges this approach.

Research by Boyne (1997) evaluated the Audit Commission Indicators for comparing the performance of local authorities in UK. He conducted an extensive empirical study with over 400 local authorities. From his research, Boyne concludes, “it would therefore be unwise for local citizens or central government to evaluate the relative performance of different councils purely on the bases of the Audit Commission’s data”.

3.0 Performance Measurement in Local Government in Australia

In Australia, in the process of radical change in management in local government for improved performance, performance measures have been placed among the important management tools to make local government more accountable, responsive and effective. Recent research on the issue by the Australian Industry Commission concluded “interest in performance measurement at the individual council level has increased throughout Australia in recent years” (The Industry Commission, 1997).

There was an effort to develop a national approach to performance indicators that could be used for comparison between local councils across Australia. However, at the moment it seems, at best, to be premature for such approach.

The difficulty of pursuing this approach can be summarised as follows:

- There is a difference between the councils across the states that make the development of an uniform performance indicators which could used for comparing between them an daunting task.
- There is an disagreement of the councils about the feasibility of such approach with the argument that there is a significant differences for a good comparisons because of the differences in terms of the state legislation
- At the moment, there is a quite different performance indicators approach developed by each state.

As at 1997 (except Victoria(1998)), all states in Australia (except New South Wales (NSW) and Victoria (VIC) the systems are already in place) planned to introduce a set of performance indicators for all councils. These indicators vary in services covered, the number of indicators, and the dimensions of performance the indicators address.
From 1995, all councils in NSW were required to report against 26 key performance indicators. These indicators cover 11 functional areas, including sewerage and water supply services (These are excluded for councils in Victoria). It should be noted that all 26 indicators are efficiency measures. All other States, excluding Victoria, are drafting or conducting a pilot program to set up a set of performance indicators to use for their local councils. For example, Queensland’s draft performance indicators, which are at the pilot data collection stage, only cover 5 functional areas with 28 indicators. However, unlike those indicators required in NSW, QLD’s indicators are concerned with both efficiency and effectiveness dimensions of performance. With respect to measuring efficiency, QLD and NSW indicators are quite similar. West Australia (WA) proposed 30 key indicators covering 9 functional areas. One of the aspects of WA’s indicators is the focus of measurement on spending in specified areas and WA’s indicators are efficiency measures. South Australia (SA), compared to other States, have drafted the most extensive performance indicators with over 150 indicators covering 24 functional areas. These indicators are grouped as efficiency and effectiveness. However, it should be noted that some indicators are categorised as effectiveness indicators, but in fact more a measure of activity and others categorised as efficiency measures, are a measure of spending. Unlike others States, SA does not plan to collect and publish comparative performance information. The remaining states, namely Tasmania, Northern Territory and Australian Capital Territory have either only simple financial performance indicators as is the case with Tasmania or will develop the performance indicators in the near future.

4.0 Performance Measurement in Local Government in Victoria

Since 1990, there has been performance measurement activity in Victoria with the comparative financial data in 1991 and core performance indicators for Local Government with a guide published in 1993 by Municipal Association of Victoria (MAV). It should be noted that the indicators developed in 1993 were quite extensive. They included corporate indicators to measure overall council performance (41 indicators in 14 areas) and functional indicators to measure the performance of individual council services or functions (100 indicators in 25 areas). The functional indicators were in 4 dimensions- workload, efficiency, effectiveness and service delivery. In this case, the service delivery was to be measured by the level of customer satisfaction. The latest development of performance measurement activity in Victoria is a compulsory requirement for councils from the late 1998 to adopt the key performance indicators laid down by the Office of Local Government. These key indicators have two main groups- Annual Plan Indicators with 29 indicators and Comparative Indicators with 47 indicators in 10 functional areas.

Besides Annual Plan Indicators with Financial indicators taking a main part, it is clear that the Comparative Indicators are dominated by indicators to measure costs. It seems to fit a typical warning from literature on the trend for local government as mentioned earlier. In addition, the introduction of these new indicators in Victoria brought in some criticism from the practitioners at local councils claiming as a politically driven tactic to tighten the control on the local councils. One commented “indicators for local governments represent a new dimension of monitoring and evaluation of performance using criteria established by the State rather than by local governments” (The Industry Commission, 1997).

5.0 Telephone Survey of Local Councils in Victoria

This survey was conducted from 4 -17 May 1998 with the objective of getting a snapshot of the level of performance measurement activities in local government in Victoria. The survey is part of a larger project aimed at studying performance measurement of local council in Victoria. The results of this survey help to provide a general picture to be used for preparing for case studies, which will be conducted as the next phase of the project.
All 78 local councils in Victoria were included in the survey. To make the survey consistent and to facilitate the process of analysis, a structure questionnaire for the survey as well as a procedure for conducting the survey was designed. The following aspects are the focus of this survey:

- The extent of performance measurement activities in local councils, in particular with the respect of preparing for implementing the State government indicators
- The view of local councils of the State requirement on performance indicators
- Some current issues that local councils are facing to meet the State requirement.

5.1 Responses of the Survey

After over two weeks, 73 councils participated in the survey or 94% of total 78 councils in Victoria. The break down of the councils by group is given in the figure 1.

The response rate can be considered high. One of the reasons may be that the issues of performance measures are attracting local councils’ attention. Of among 73 participating councils, 43 councils (or 59%) wish to see the results of the survey.

![Fig 1. Responses from the Survey](image)

Legend:
- Group I: Inner Metropolitan
- Group II: Outer Metropolitan
- Group III: Regional Cities
- Group IV: Large Shire Councils
- Group V: Small Shire Councils

5.2 Implementation of performance measure and the State Government indicators

While all local councils from the respondents in Metropolitan areas claimed they have performance measurement in place, only over 50% of small shire councils do. Overall, 85% of the councils have performance measurement of some form. (See fig. 2)

![Fig 2a- Performance Measurement Activities in LG](image)

![Fig 2b- Councils adopting the State Indicators](image)
In relation to adopting the State government Indicators, there is the same pattern as that of the performance measure activity with more councils in Metro areas (group I & II) claimed adopting the State government indicators with the percentage of 83% and 91% respectively. Only over 40% of small shire councils (group V) have adopted the indicators. The councils adopting the State government indicators are showed on the Fig 1b, which is combined with the comparison with the councils practicing PM activities.

5.3 Areas of Performance Measures.
The areas used for this survey are based on the areas defined by the State government for performance measures.

Finance is an area where there are the highest number of councils (56 councils or 77%) claimed they have measures on this area while there are less councils with performance measures at their library (38 councils or 52%). See Fig 3. On closer investigation, the group V warrants attention. The results for group V is shown in the fig 3a.

5.4 The Range of Number of indicators used by Local Councils
The number of indicators used in each area varied from council to council. Table 1 shows the ranges. It should be noted that for a number of reasons some council respondents could only provide the estimated number of indicators being used and some respondents were only able to provide accurately the minimum number of indicators for each area.

Table 1- Ranges of Indicators

<table>
<thead>
<tr>
<th>Areas</th>
<th>Group I</th>
<th>Group II</th>
<th>Group III</th>
<th>Group IV</th>
<th>Group V</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>3-13</td>
<td>3-34</td>
<td>3-25</td>
<td>3-25</td>
<td>2-30</td>
</tr>
<tr>
<td>Service Quality</td>
<td>3-9</td>
<td>3-25</td>
<td>5-20</td>
<td>3-24</td>
<td>2-25</td>
</tr>
<tr>
<td>Waste Management</td>
<td>3-12</td>
<td>3-20</td>
<td>4-20</td>
<td>3-24</td>
<td>2-25</td>
</tr>
<tr>
<td>Town Planning</td>
<td>3-26</td>
<td>3-20</td>
<td>3-20</td>
<td>2-24</td>
<td>4-25</td>
</tr>
<tr>
<td>Municipal cleaning &amp; Parks mgt.</td>
<td>3-40</td>
<td>3-20</td>
<td>5-20</td>
<td>2-24</td>
<td>2-25</td>
</tr>
</tbody>
</table>
5.5 Factors influenced Councils to adopt the State indicators

The most prominent factor, which influenced local councils to adopt the state indicators, is “to comply with legislation” (See Fig 4). 48 councils out of 51 (or 94%), which have adopted the Indicators, mentioned this factor. The small shire councils seem to be less influenced by this factor with only 75%, while some others groups (I, III, IV), 100% claimed this factor.

<table>
<thead>
<tr>
<th>Areas</th>
<th>Group I</th>
<th>Group II</th>
<th>Group III</th>
<th>Group IV</th>
<th>Group V</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Services</td>
<td>3- 80</td>
<td>3- 20</td>
<td>5- 20</td>
<td>2- 24</td>
<td>2- 25</td>
</tr>
<tr>
<td>Library</td>
<td>2- 10</td>
<td>3- 25</td>
<td>10- 20</td>
<td>3- 8</td>
<td>6- 25</td>
</tr>
<tr>
<td>Environmental Health</td>
<td>2- 18</td>
<td>3- 20</td>
<td>4- 20</td>
<td>3- 24</td>
<td>4- 25</td>
</tr>
<tr>
<td>Others</td>
<td>4- 20</td>
<td></td>
<td></td>
<td>3- 6</td>
<td>4- 8</td>
</tr>
</tbody>
</table>

Less than half of the councils (43%) asked mentioned the factor of “expectation of benefits” as a reason to influence them to adopt the State indicators. It should be noted that compared to other groups, less councils in group IV (30%) adopting the indicators expect benefits from the use of the State indicators, while most of them are influenced by the “management decision” (80%).

5.6 Evaluation of Performance Indicators

A majority of the councils (over 60%) of those which were asked, evaluated the State approach as useful. (See Fig 5). All councils in group IV (Large Shire Councils) support the State approach with 20% and 80% councils rating the performance indicators are “very useful” and “useful” respectively. The councils from group II and III were those, which are less supportive of the Indicators with 30% and 25%, consider the indicators as “not very useful” respectively.
5.7 Plan to Adopt the State Government Indicators
25% of councils asked could fail to meet the deadline required by the State Government to implement the performance indicators taking effect by September 1998. (See Figs. 6 & 6a). In group V, over 50% of the councils in this group could fail to meet the deadline.

5.8 Barrier to councils adopting the indicators
Among the councils that have not adopted the state indicators, the “constraints of time” and “difficult to measure” are the two most important factors preventing them from adopting the indicators with the percentage of 55% and 45% respectively. (See Fig 7)

About one third of those councils mentioned the “indicators not relevant” and “no budget” as factors
The limitations of the survey
The survey is subject to the following limitations:

- Because it was a telephone survey, it is impossible to get an in-depth information, given that the issues of performance measurement are so complicated.
- It seems to be that for local councils, the issues of performance measures, in particular in respect to adopting the State government indicators, are very sensitive. It could be that there were councils which answered the survey in a diplomatic way. (Some councils expressed this aspect explicitly). That may have biased the outcomes of the study. There seems to be doubt about how confidential and unattributable the survey conducted by telephone is. It is possible that some councils are not willing to provide a full picture of their situation.
- The sensitivity of the issue could be explained by the time the survey was conducted is just on the eve of the deadline for adopting the Indicators required by the State government. It should be noted that for the performance indicators, the State government ‘tied’ the implementation of the Indicators to the increase of rate cap for local councils. Therefore many councils want, at least, to satisfy the minimum State government requirement in order to avoid financial penalties.

Conclusions
Within the acknowledged limitations of the data collection outlined above, it is possible to conclude that there is not a great deal of enthusiasm for the implementation of the Victorian government performance indicators. Most councils are viewing it as a question of compliance with the law, rather than a set of tools contributing to continuous improvement in service provision.

References