

TOWARDS PERFORMANCE MANAGEMENT FOR BETTER LOCAL GOVERNANCE

This paper addresses three main questions:

- What are the essential characteristics of good governance that we should attempt to measure?
- What sort of performance indicators could we use?
- How can performance management systems and techniques help to promote better governance?

The paper provides examples of recent Australian experience, but recognises from the outset that cultural contexts and systems of government vary greatly both between and within countries, and each of us needs to find a path best suited to local circumstances.

Defining Local Governance

This is primarily a matter for other sessions of the workshop and other papers, but some of the issues involved need to be reviewed here as a basis for discussing performance management.

Firstly, we need to draw a distinction between *corporate* and *community* governance (Sproats, 1997). The Australian National Audit Office (1996) has defined corporate governance in the following terms:

"...the exercise of governing, of authority, direction and control. Corporate governance is concerned with structures and processes of decision-making; and accountability, controls and behaviour within organisations. Ineffective governance processes are barriers to an organisation's effective performance."

This aligns closely with the definition of governance adopted by the UN Economic and Social Commission for Asia and the Pacific (ESCAP, undated): "the process of decision-making and the process by which decisions are implemented (or not implemented)."

As ESCAP points out, the concept of governance can be applied in a wide range of contexts, including in particular local governance and urban governance. Sproats (1997) highlights the need for better *community* governance, which he defines as "the process by which we collectively solve our problems and meet our society's needs". *Government* can then be seen as one of the instruments we use for governance, or as ESCAP puts it, "one of the actors in governance". A key element of the role of government is to engage the community - civil society - and the private sector in identifying and addressing issues of concern.

In Australia there is increasing emphasis on the role of local government in playing a leadership role to enhance the quality of community life and promote greater participation in the processes of local governance. In the state of New South Wales this role of community leadership is clearly identified in the Local Government Act, which contains a wide range of provisions designed to make local governments responsive to community needs and concerns. These will be discussed later in this paper.

Recent debate in Australia about the role of local government has highlighted differing views about how councils should relate to their communities. Should they be predominantly concerned with efficient, cost-effective service delivery and keeping local taxes as low as possible; or should local government give more weight to building *social capital* - establishing trust, cooperation and coordination amongst people and institutions so that community life can flourish? Should councils treat their constituents primarily as *customers* for the services they provide, or as *citizens* of the local government area with much broader needs *and expectations (rights)* than just efficient and effective services?

Sproats (1997) argues that recent moves for reform of local government in Australia and elsewhere have been unbalanced. They have correctly identified a need for better *management* - greater efficiency and effectiveness - but have failed to give sufficient attention to the need for better *governance*. In Australia at least, one of the consequences of this 'lop-sided' approach to local government reform may have been to shift the balance of power within councils from elected members to appointed officials (managers).

Figures 1 and 2, taken from Sproats (1997) illustrate the main components of recent management reform in Australian local government, and then the other factors that need to come into play to balance management reform and produce better local governance.

In summary, Sproats suggests that to achieve better local governance councils will need to:

- Treat their constituents as citizens with a broad stake in local affairs as well as simply customers or clients of particular services
- Exercise local community leadership, bringing people together for the common good and tackling difficult changes, rather than retreating to a narrow managerial style focussed on a more limited role
- Foster sound public judgement – informed and thoughtful debate within the community – rather than simply respond to often ephemeral public opinion
- Build the human and social capital of their communities as well as managing financial and physical assets (Sproats 1997).

In a similar vein, Stace and Dunphy (1994) draw a distinction between *management* and *leadership*. Key points are summarised in Figure 3. Clearly, their concept of leadership is closely aligned with Sproats' components on community governance.

Figure 1: Components of Local Management Reform

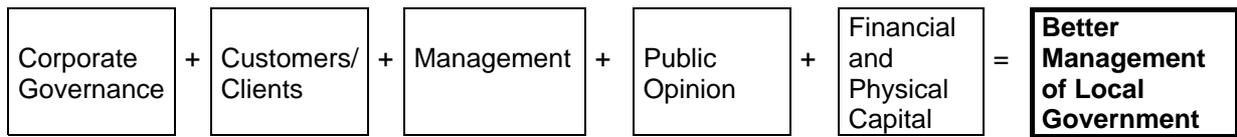
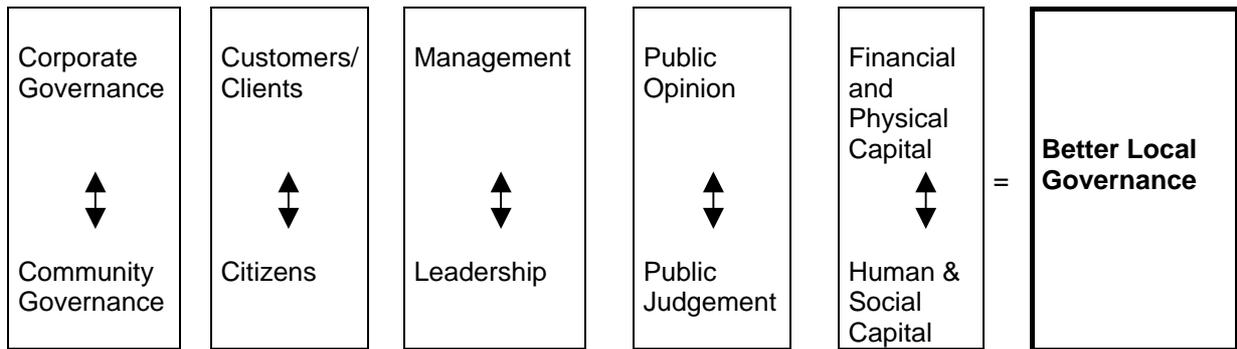


Figure 2: Components of Local Governance Reform



Source: Sproats 1997

Figure 3: Comparing Management and Leadership

| MANAGEMENT | LEADERSHIP |
|---|---|
| <p>Planning and Budgeting Detailed planning and allocating resources</p> <p>Organising and Staffing Structure, staffing, policies and procedures</p> <p>Controlling and Problem Solving Monitoring results, identifying deviations from the plan, organising to solve problems</p> | <p>Establishing Direction Developing a vision and strategies</p> <p>Aligning People Communicating the vision, creating teams and coalitions</p> <p>Motivating and Inspiring Energising people to overcome barriers</p> |
| <p><i>produces</i> Predictability and Order</p> | <p><i>produces</i> Change</p> |

Source: Sproats, 1997

Norms of Good Urban Governance

Identifying norms or characteristics of good governance has been the subject of much effort over the past decade or so, as discussed in the background paper for this workshop. Through United Nations projects such as the Global Campaign on Urban Governance and The Urban Governance Initiative (TUGI) considerable progress has been made in establishing a broad consensus on the elements of good governance, and in developing appropriate performance indicators.

UNCHS (Habitat) has produced a useful overview framework in the form of its draft Norms of Good Urban Governance. These draw together many threads from other sources and link norms to more detailed objectives and 'operational principles'. The following table summarises Habitat's approach.

| Norms | Objectives | Operational Principles |
|-----------------------|--|--|
| Sustainability | Balanced social, economic and environmental priorities | <ul style="list-style-type: none"> • Consult with stakeholders/communities to agree long term vision, strategy and mission • Integrate development plans and poverty reduction strategies • Increase green cover and preserve heritage |
| | Stakeholder involvement | <ul style="list-style-type: none"> • Consultative processes eg Local Agenda 21 • Apply precautionary principle • Promote economic activity through citizen participation • Promote transfer of appropriate technologies |
| Subsidiarity | Local autonomy and accountability | <ul style="list-style-type: none"> • Develop clear frameworks to assign/delegate responsibilities from national to city governments and from cities to communities • Empower civil society to participate effectively • Promote responsiveness of local authorities to their communities • Transparent and predictable intergovernment financial arrangements/assist weaker local authorities • Central government support for local capacity building • Promote decentralised cooperation and peer-to-peer learning |
| Equity | Resource allocation | <ul style="list-style-type: none"> • Equitable principles for infrastructure priorities and pricing services • Targeted investment incentives • Remove barriers to secure tenure and supply of finance • Fair and predictable regulatory frameworks |
| | Empowerment | <ul style="list-style-type: none"> • Gender equity in access to decision-making, resources and services • Quotas for women representatives • Promotion of women to higher management • Ensure by-laws and policies support the informal sector • Equal inheritance rights |

| | | |
|---|--|--|
| Efficiency | Management and Service Delivery | <ul style="list-style-type: none"> • Find innovative means of service delivery • Promote integrated planning and management • Remove barriers to secure tenure and supply of finance • Fair and predictable regulatory frameworks to encourage commerce, investment and the informal sector • Clear objectives and targets for provision of public services • Maximise the contribution of all sectors to economic development |
| | Efficient investment in infrastructure | <ul style="list-style-type: none"> • Partnerships with private sector and civil society • Equitable user-pays principles • Integrated planning and management • Efficient and effective local revenue collection |
| Transparency and Accountability | Transparent and accountable decision-making processes | <ul style="list-style-type: none"> • Regular open consultation with citizens • Transparent tendering procedures • Independent audit • Public feedback mechanisms eg Ombudsman, hotlines, petitions |
| | Access to information | <ul style="list-style-type: none"> • Promote public's right of access • Level playing field for investors |
| | High standards of ethics and professional conduct | <ul style="list-style-type: none"> • Regular programs to test integrity of public officials • Remove incentives for corruption eg reduce administrative discretion • Promote service ethic and adequate remuneration • Codes of conduct and disclosure of assets • Practical, enforceable standards of service delivery and accountability eg ISO |
| Civic Engagement and Citizenship | Leadership for public participation and stakeholder involvement and responsibility | <ul style="list-style-type: none"> • Use surveys, public meetings, working groups, participatory strategy development etc • City referenda on important issues |
| | Building democratic culture | <ul style="list-style-type: none"> • Free and fair elections • Participatory decision-making • Promote ethic of civic responsibility eg 'City Watch' groups |
| | Enablement | <ul style="list-style-type: none"> • Equal contribution of men and women • Full participation of citizenry in civic life eg through neighbourhood advisory committees |
| Security | Environmental management | <ul style="list-style-type: none"> • Involve stakeholders in environmental planning and management |
| | Disaster preparedness | <ul style="list-style-type: none"> • Raise awareness of risks and formulate emergency management plans • Coordination amongst departments/levels of government |

| | | |
|--|--|---|
| | Personal safety/ Crime control and prevention | <ul style="list-style-type: none"> • Create culture of peace and tolerance of diversity • Consultative processes based on rule of law and crime prevention • Address specific needs of vulnerable groups • Metropolitan-wide systems of policing • Resist all forms of abuse against the person, especially women, children and the family |
| | Security of tenure and livelihoods | <ul style="list-style-type: none"> • Promote security of tenure and a variety of forms of tenure • Promote employment generation, credit, education and training, especially for the poor |

Whilst Habitat recognises that further refinement is required, the 'operational principles' listed above provide a starting point for developing a set of performance indicators to measure progress towards achieving the objectives and norms.

Performance Indicators and Benchmarking

Nature of Performance Indicators

Performance indicators are measures used to check the current status of an activity and/or progress in achieving objectives – for example, the level of participation in community consultation processes. Indicators are just that: they are pointers to whether or not progress is being achieved as planned. They do not provide conclusive evidence of good or bad results. Performance indicators should therefore be seen as a *starting point* for identifying those aspects of operations and performance which may need further examination and improvement.

Indicators may be peculiar to a particular organisation or shared among a number of organisations. Where indicators are used only within a single organisation, progress can be measured by comparing results over time eg what was the extent of change/improvement from last year?

Where indicators are shared with other organisations, the results can be used to identify significant differences and ask why these are occurring, or to identify those organisations which appear to be doing best and to highlight areas where they may be applying superior techniques.

Useful indicators may be either quantitative or qualitative. Where reliable numerical data are available (eg from national statistics agencies, well-maintained local government records etc), quantitative indicators can provide a simple method of monitoring progress or drawing comparisons with other organisations. In Australia, quantitative indicators are routinely applied to many areas of local government activity, and most State governments publish annual data on the performance of local governments in their jurisdictions.

A danger with quantitative indicators is that too much weight can be placed on factors that can be measured easily rather than the things that really matter. For example, in the case of participation in community meetings, it is easy to measure and report on how many people came, but much harder to assess the quality of their contributions and whether any worthwhile outcome was achieved.

Many important measures of progress cannot be reduced to a simple number. There is growing acceptance of the need for and value of qualitative performance indicators, such as community attitudes or satisfaction ratings. The Local Government Community Services Association of Australia has made the following observations on qualitative indicators:

The greatest value of qualitative measures is that they may represent areas of life where numbers mean less. Neighbourliness, trust in government, community responsibility, natural beauty or reconciliation are all important aspects of community needs and aspirations where qualitative data can give a richer, more perceptive understanding. Qualitative indicators may also be as effective as quantitative indicators in tracking the effects of policy and action over time.

Primary data for qualitative indicators is often gathered by various survey methods, for example, mail out questionnaires, personal interviews or discussion groups. Data may also be gathered using research methods such as participant observation and case studies. (Local Government Community Services Association, 1999)

Mellor (2001) summarises the need for greater use of quantitative indicators in the following terms:

Qualitative Measurement – looks at the “soft” outcomes or the “quality” of a program or activity. Such qualitative measures may be: “levels of community satisfaction”, “level of community involvement”, “degree of perceived improvement”, “the nature of complaints” etc. These kinds of measurements are often not as easy to collect as they cannot simply be compiled by looking at a set of numbers of a financial budget – often qualitative measurement requires us to ask more detailed questions to find out the “real” picture. For instance, if we were to measure “the cost per household of domestic waste collection” the qualitative data would give us a financial figure per household, but the quantitative data would give us the important information about: how the service was performed, exactly what was collected and how often, and maybe what technology was used to provide the service. The important lesson has perhaps been – you need to investigate both the Quantitative and the Qualitative measurements if you want to get the “full picture”.

Whether quantitative or qualitative, genuinely useful performance indicators need to pass a number of tests. The Local Government Community Services Association of Australia (1999) suggests that indicators should be:

- Measurable and valid
- Stable, reliable and ongoing over a number of years
- Able to respond quickly and noticeably to real changes
- Easy and cost-efficient to collect
- Understandable to the general user
- Indicative of quantity and quality
- Indicative of the distribution of resources
- Representative of the important dimensions of community wellbeing
- Comparable with other communities/organisations
- Relevant to policy decisions.

TUGI (www.apdip.net) has promoted a mix of quantitative and qualitative indicators in its work. It has put forward six characteristics of urban indicators which are closely related to those suggested above:

- They should be easily understood
- They should be related to the interests of one or more groups of stakeholders
- They should be measurable using immediately available data at the city or national level
- They should be clearly related to urban policy goals and capable of being changed by the use of policy instruments
- They should be linked where possible to the three main themes of economic, social and environmental sustainability
- They should be readily available, easily collected or estimated, and should not normally require special surveys or studies.

TUGI's website also provides a long list of possible indicators for local authorities to use, coupled with a system of 'Good Governance Report Cards' to measure performance across nine key dimensions:

- Participation
- Rule of law
- Transparency
- Responsiveness
- Consensus orientation
- Equity
- Effectiveness and efficiency
- Accountability
- Strategic vision

Grappling with Outcomes

The Habitat norms highlight the need to measure not only the scope, cost, efficiency and products of local government ('inputs' and 'outputs'), but also what is actually being achieved for the community and environment ('outcomes'). Are the processes of governance actually bringing about real benefits and, where necessary, social and economic change? Measurement of these outcomes presents major challenges for further development and greater use of qualitative performance indicators.

Finding ways to measure outcomes is particularly important in the context of community governance. In Australia there is growing concern about the quality of community life. This reflects the widespread social pressures being brought about by economic and institutional reforms due amongst other things to the forces of globalisation. Rapid changes in the labour market, loss of traditional local services, anxiety about increased use of drugs and growing crime rates, the demands of an ageing population and other factors are generating concerns that our communities are falling apart. There is anxiety that we are destroying valued 'social capital' – the very elements of local identity, sense of place and quality of life which give a community cohesiveness and make up its culture. At the same time, there is a sense that central governments are out of touch and do not understand people's concerns. Local government is increasingly seen as the sphere of government best suited to protecting community values, and producing better outcomes.

Some recent Australian projects have attempted to come to grips with the formulation of indicators focussed on longer term outcomes, rather than just inputs and outputs. In Victoria, for example, a Community Satisfaction Measurement Program was introduced in 1997-98 to provide data for inclusion in councils' corporate plans. It focussed on whether communities were satisfied with the performance and achievements of local authorities and sought to:

- standardise the methodology for measuring customer and community satisfaction so as to produce meaningful comparative data
- develop the notion of 'quality'
- measure satisfaction across the four broad areas of service delivery, customer service, advocacy and overall performance of local governments.

Both quantitative and qualitative research was undertaken to develop a survey tool, and then some 30,000 interviews were conducted (average 10 minutes duration) to give a sample of about 350 respondents in each of Victoria's 78 local government areas. However, surveys were only conducted twice, in 1998 and 1999, before a change of policy following the election of a new State government.

Another relevant project aimed to establish performance indicators for cultural development in local communities. *Creating Social Capital: A Study of the Long-Term Benefits from Community Based Arts Funding* (Williams, 1995) was a national study which tried to establish what longer term gains were achieved by community-based arts projects, and to test indicators which could be used for ongoing evaluation of community cultural development activities.

The methodology focussed on nine case studies of community arts projects completed about two years previously. It involved a questionnaire survey of 'organisers' of those projects, and a group of community 'observers'. Opinions were sought from both groups as to the longer term outcomes of the projects based on a set of indicators of artistic, educational, economic and social benefits. For each indicator, respondents were asked to indicate whether the benefit gained from the project concerned had been significant, slight or nil.

The table below sets out the benefit indicators used in the survey questionnaire. This project points to the potential for greater use of structured panels and focus groups as a means of 'objectively' applying qualitative indicators to measure progress.

Benefit Indicators (Williams 1995)

| Social Benefits | Educational Benefits |
|---|---|
| Established networks of ongoing value | Communicating ideas and information |
| Developed community identity | Planning and organising activities |
| Improved understanding of different cultures/lifestyles | Collecting, analysing and organising information |
| Lessened social isolation | Solving problems |
| Raised public awareness of an issue | Using technology |
| Improved recreational options | Using mathematical ideas and techniques |
| Inspired action on a social issue | |
| Arts Benefits | Economic Benefits |
| Increased appreciation of community arts projects | Produced cost savings in public expenditure through: |
| Developed creative talents | - improved govt-community consultation |
| Developed further work of artistic merit | - improved planning/design of public spaces |
| Developed arts groups or activities | - improved or developed public facilities |
| Improved access to arts education/training | - improved crime prevention |
| Increased sales for artworks/developed audiences | Improved productivity in business/public/community services |
| Led to further training/education in the arts | Attracted further resources into community |
| | Developed or enhanced tourism/local enterprise |
| | Led to employment |

Benchmarking

As noted earlier, performance indicators are rarely of much value in themselves and are best seen as a starting point for further investigations. One of the best ways to follow-up the 'clues' provided by performance indicators is to use benchmarking.

Benchmarking is a process by which an organisation regularly compares its operations and achievements to those of others, and/or to its own past performance. In so doing the organisation strives to reach the highest possible standards of efficiency and effectiveness.

Collaborative benchmarking involves organisations coming together in groups to systematically exchange information and ideas, based on the collection of comparable data about their operations and achievements. It is 'collective learning' or 'intelligent copying' – looking at what others do and how they do it, and applying the lessons learned to improve one's own performance.

Benchmarks

The use of performance indicators and the *process* of benchmarking are often confused with setting *benchmarks*.

Often the same measure may be used for both benchmarks and performance indicators. The crucial difference, however, is that benchmarks are normative – that is, they represent an objective or standard to be met. For example, a national or state government might set a benchmark for the cost of household garbage removal as the basis for deciding what level of subsidy it provides to local governments. At the same time, a group of local governments could be using exactly the same measure as a performance indicator for collaborative process benchmarking. But for them it is not a target to be achieved, but simply a way of making comparisons from one local government to another, as well as a basis for autonomous decisions about how whether service quality and costs meet community expectations.

One form of benchmark is **best practice** – ways of doing things and performance achievements that are recognised as leaders in their field, to which others can aspire and from which they can learn. Examples of best practice are now being assembled across many aspects of local government activity, notably through the Habitat website.

Recent Australian Experience

Use of benchmarking and performance indicators in Australian local government has grown steadily since the early 1990s in response a range of influences including:

- national agendas for micro-economic reform
- a particular interest on the part of the federal government in ensuring that its substantial financial assistance to local government is used effectively
- introduction of new or substantially amended Local Government Acts which require fairly sophisticated corporate planning and management, and which emphasise accountability for service costs and quality
- increasing professionalism of senior local government managers.

These processes were influenced strongly by the work of the UK Audit Commission in measuring the performance of councils, and by reform processes and management changes in New Zealand local government.

New South Wales was the first state to introduce a system of performance indicators. 'Comparative information' for the operations of local councils has been published annually by the State Department of Local Government since 1991. Over the years this process has generated considerable controversy, mainly reflecting concerns amongst councils that the published indicators were often based on inconsistent data, failed to reflect the different policies and operating conditions of individual councils, and thus unfairly and inaccurately compared councils' performance.

Early indicators were based mainly on cost information, and calculated either per capita or per unit of service. They were found to be poor indicators of performance, and particularly of efficiency, because detailed examination revealed that the major differences in unit costs were due less to varying efficiency than to:

- variations in policy (ie councils chose to provide services at different levels)
- variations in accounting practices (eg treatment of overheads)
- inherent cost disabilities (eg geography, isolation).

Moreover, the publication of indicators was seen to portray 'league ladders' of apparent efficiency and effectiveness, forcing 'poorly performing' councils to justify themselves, rather than promoting genuine understanding of why performance differed. In the last few years, however, these concerns have been addressed to the satisfaction of most of those involved, and the Department of Local Government's comparative information has been accepted by councils as a useful basis for process benchmarking.

All other states and the Northern Territory have now followed suit and have formulated sets of performance indicators for a broad cross-section of council functions, or are in the process of doing so. Significantly, the newer systems have been developed in full consultation with local government associations, and with a particular view to promoting benchmarking processes.

Numerous benchmarking projects involving various groups of local governments across Australia have been undertaken over the past decade. As noted earlier, the federal government strongly promoted this activity during the mid 1990s. Projects have covered issues such as infrastructure provision and management, child care services, procedures for development and building approvals, cultural development and others. In New South Wales, the Local Government and Shires Associations have developed computer software ('ViewData') which enables the published comparative information on councils and other available data to be used as a starting point for benchmarking.

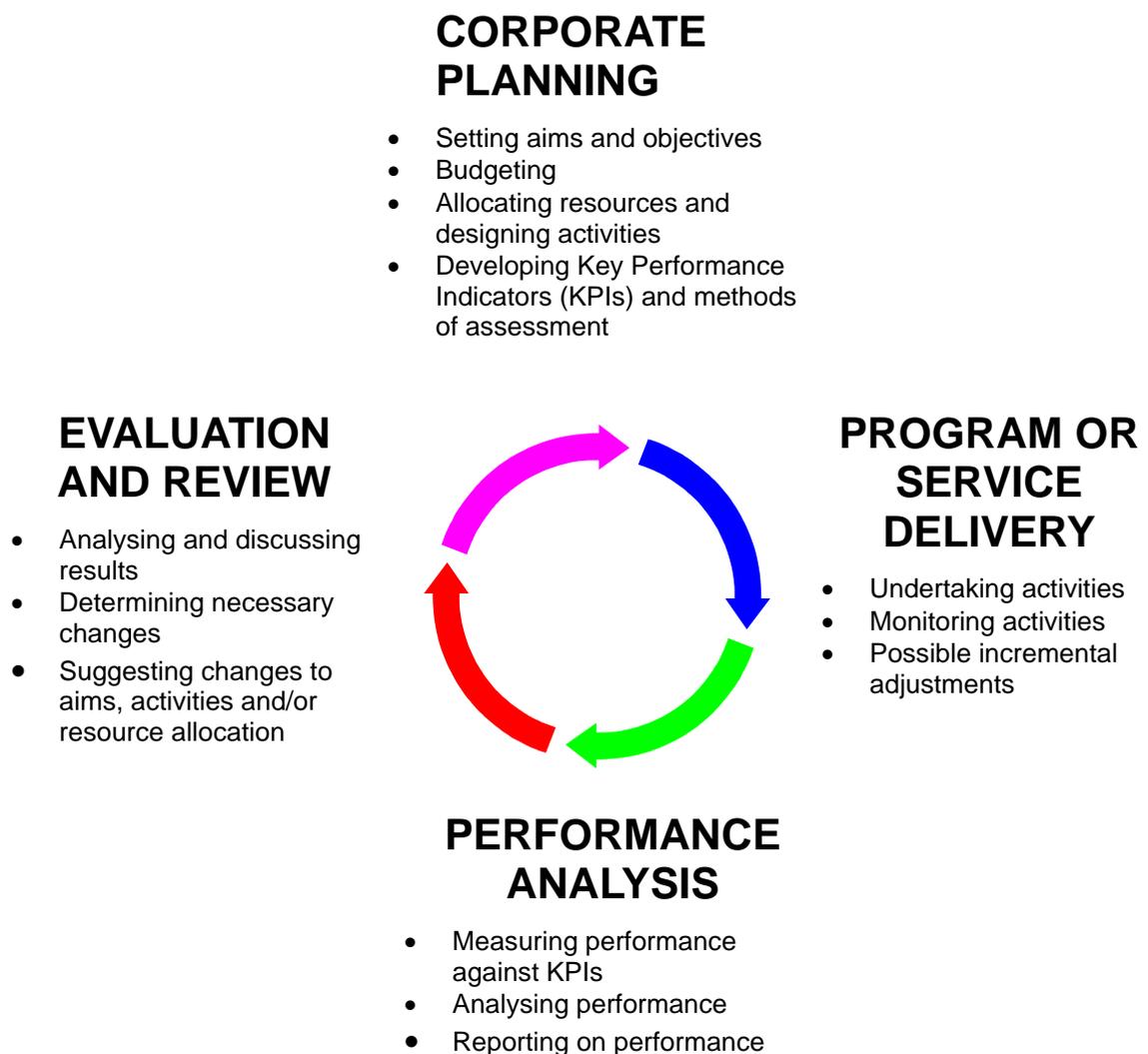
Another important project is the development of a national 'Towards Best Practice' website. The concept is simple: councils throughout Australia are being encouraged to provide brief details of recent projects or activities which they consider demonstrate some aspect of best practice. This information is presented on the website in a consistent format under a series of cross-referenced categories and can then be accessed freely by anyone interested. Information is accepted as provided: there is no attempt to assess whether claims of best practice are warranted. Rather, the aim is to provide the largest possible databank of information and ideas that may help councils to learn from each other's experience and thus enhance their performance.

Overwhelmingly, the use of performance indicators and benchmarking in Australia continues to focus on quantitative measures readily available from local governments' annual financial returns and other compulsory annual reporting on activities. Despite the examples quoted earlier in this paper, relatively little progress has been made in formulating the range of qualitative indicators needed to monitor governance, cultural and quality of life issues.

Frameworks for Performance Management

Performance indicators and benchmarking need to be used as part of a broader approach to performance management. The key ingredient here - reflected in both the Habitat norms and the characteristics of urban indicators promoted by TUGI - is a framework for effective strategic and corporate planning. The pursuit of improved performance in an organisation or field of endeavour must have a purpose – a set of goals and objectives. Strategic and corporate plans provide those goals and objectives, and performance indicators are needed to measure whether the goals and objectives are being achieved.

Mellor (2001) presents the concept of a total *Performance Management Cycle* to link corporate planning, program delivery, performance measurement, and evaluation and review.



During the 1970s and 1980s many Australian local governments began to introduce quite sophisticated strategic and corporate planning linked to performance management. This was in response to growing pressures to expand their scope of activity to meet emerging community needs, and to improve efficiency and effectiveness - 'to do more with less'. From the early 1990s these techniques were progressively incorporated as legal requirements in new or amended Local Government Acts.

The state of New South Wales provides perhaps the best example. Its 1993 Local Government Act requires councils to prepare management plans and annual 'statements of revenue policy' (draft budgets), and to make these available for public comment and submissions before they are adopted. Councils must also publish detailed annual reports on their activities.

Management plans must cover at least a three year period, set out forward estimates of revenue and expenditure, and detail proposals for, amongst other things:

- the principal activities the council proposes to undertake (works, services, asset management, business and commercial activities etc)
- environmental management reflecting principles of ecologically sustainable development and the findings of the council's latest State of the Environment report
- application of access and equity principles derived from the council's social plan.

Specifically, the management plan must also detail the manner in which the council intends to assess its performance in respect of each principal activity. The council's chief executive is then required to report quarterly against performance targets, and the council must publish an annual report reviewing progress in implementing the management plan.

Management plans are updated each year and must be placed on public exhibition together with the statement of revenue policy – the next year's budget including full details of proposed income and expenditure, rates and charges, borrowings, asset creation and disposal etc. Public submissions must be considered before either document can be finalised and adopted.

Guidelines for council management plans issued by the state department of local government highlight the importance of community consultation in the planning process. They also stress the strategic, integrating role of management plans as a 'whole of community' and 'whole of council' approach to addressing local issues. Councils are encouraged to preface the corporate component of their management plan with a broad strategic statement. Currently, amendments are proposed to the state Environmental Planning and Assessment Act which would require councils to prepare an integrated strategic plan covering the economic, social and environmental issues facing their local government area. This would draw together the various plans required under the Local Government Act as well as other land use and environmental management plans.

These requirements echo several of the Habitat norms, objectives and operational principles, particularly those relating to sustainability, equity, efficiency, transparency and accountability. There is a strong focus on establishing a long term vision, strategic integrated planning and sound financial management. Other provisions of local government legislation, such as requirements for nearly all council meetings to be held in public session, reinforce this framework.

Some Examples of Leading Practice

Finally, and returning to Sproats' concept of community governance, it may be helpful to consider three examples of approaches to performance management by Australian local authorities.

Mosman's Community Environmental Contract

Mosman is a prosperous and environmentally very attractive suburban municipality on the northern shores of Sydney Harbour. Some of the most pressing issues facing the council and local community are management of the harbour foreshores, stormwater inflows to the harbour, and protection of remnant native bushland.

To tackle these issues successfully the council needed additional funds. Local government in Sydney is subject to 'rate-pegging' - a limit imposed by the state government on the amount local taxes can be increased each year. Mosman Council sought and gained approval for a supplementary rates levy of 5% per annum for 12 years in return for entering into a *Community Environmental Contract* (CEC). This is a guarantee to residents that all money raised by the rates levy will be spent on pre-determined environmental management projects.

Each section of the CEC includes a statement of objectives and details of the projects to be carried, with the timeframe and estimated cost. A quarterly update on progress is presented to the council and made available to residents. Essentially, the performance indicator is whether or not projects are proceeding on time and within budget. Full details are posted on council's website at www.mosman.nsw.gov.au/environment/envirocontract.htm

Marrickville's Model of Governance

Marrickville Council covers an area of older suburbs in the inner west of Sydney, characterised by a wide diversity of both income levels and ethnic groups.

In 1997 and 1998 the council conducted a strategic review of its capacity to meet current and emerging community needs. The review identified ways to strengthen council's leadership role, build good working relationships with the community and increase its flexibility to respond to community concerns and opportunities.

Subsequently, council has developed a *Marrickville Model* of governance to better meet the needs of its community. The model guides how council acts, the services and programs it provides and the leadership it exercises within the community. It emphasises council's role in helping the community to plan for a future that will benefit *all* citizens, and defines how council, as local government, will help to create that future.

To implement the model, Marrickville Council has defined four key values that underpin all its programs and will be the measure of its long term success. They are:

- environmental sustainability
- social capital
- citizenship
- value-for-money.

The table below summarises the council's approach to implementing these four values.

| Value | Definition | Council Commitment |
|--|--|---|
| <i>Environmental Sustainability</i> | maintaining <i>ecological processes</i> (on which life depends) to increase the quality of life of all citizens , now and in the future | Council will promote the highest level of environmental and social responsibility by businesses, schools, households, and community organisations. |
| <i>Social capital</i> | maintaining <i>social processes</i> (on which a strong and ‘civil’ society depends) to increase the quality of life of all citizens, now and in the future | Council will work with the community to identify practical ways of building community ties and networks, invigorating community life and harnessing the interest of citizens in contributing their community. |
| <i>Citizenship</i> | ensuring <i>civic processes</i> (local planning and decision-making) involve citizens to the maximum extent to increase the quality of life of all citizens, now and in the future | Council will encourage active participation by citizens in shaping the future of their local area, and promote strong civic responsibility among citizens to adhere to rules and standards that improve the community for everyone. |
| <i>Value-for-money</i> | ensuring <i>Council processes</i> and services (on which citizens depend) are delivered in the best way to increase the quality of life of all citizens, now and in the future | Council will consult citizens about their expectations of Council services, and documenting these in ‘Guarantees of Service’. |

Another key element of the model is *Community Accountability*. The council's policy is to be open and transparent in its operations and willing to demonstrate its performance using a range of performance indicators.

Elements of Marrickville Council's strategy in this area include:

- development, with the community, of ‘genuine progress indicators’ to monitor improvements in community wellbeing and sustainability
- moves to quadruple bottom line accounting through a ‘report card’ assessing council's contribution to social capital, state of the environment, and other aspects of the quality of life
- survey of Council performance from citizens' perspective – assessing citizen satisfaction with the delivery of services and with the achievement of results for the community
- use of a computerised request management system (CRMS), records system, and achievement of service guarantees to monitor Council's performance in responding to citizen requests and complaints
- adoption of Service Development and Delivery Agreements.

The Agreements are designed to translate the council's mission into program design and delivery, as well as to ensure that services are relevant to the needs of the community, deliver best value-for-money and are continuously improving.

Council's process involves:

| | |
|-------------------------------|--|
| Service specification | Documenting Council's programs and services, levels of service and standards of service and clarifying how they contribute social capital, environmental sustainability, and citizenship. Review of the service strategy and mix in terms of value-for-money. Identification of alternative solutions and service standards. |
| Community consultation | 'Teasing out' the full range of outcomes desired by citizens, their attitudes to different aspects of services and the priorities they see for their community. |
| Corporate review | Comprehensive review of service delivery to identify better ways of delivering programs and services to meet the priorities identified by the community. This includes benchmarking of key performance ingredients and development of quality assurance and improvement plans. |
| Service guarantee | Documenting services and service standards in a guarantee and encouraging community feedback on Council performance in achieving those standards. |

This 'model of governance' provides an overarching framework within which performance measurement can be implemented in a meaningful way, with performance indicators clearly related to the council's values, policies and strategies. It also highlights the importance of transparency, accountability and partnership with the community.

Hunter Region Sustainability Indicators

The Hunter Region is about 100km north of Sydney and includes the major industrial city of Newcastle, coal mines and power stations, and a range of sensitive agricultural, coastal and upland environments.

Against this background the Hunter Regional Organisation of Councils (HROC), a group of twelve local authorities, worked cooperatively with other government agencies, community organisations, the private sector and researchers to formulate a set of indicators that would monitor trends towards or away from the goal of sustainable development - some 'early warning signs'.

A sustainable Hunter region was defined in the following terms (HROC, undated):

- Efficient use of resources, with waste minimised and recycled
- Pollution limited to levels such that natural systems are not damaged
- Protection of the diversity of nature
- Local needs are met locally wherever possible
- Access for all to good food, water, shelter and fuel at reasonable cost
- Opportunities for all to undertake satisfying work in a diverse economy
- People's good health is protected
- Access to facilities, services etc is not achieved at the expense of the environment
- People live without fear of violence due to crime or persecution
- Access for all to skills, knowledge and information
- Empowerment of all sections of the community to participate in decision-making
- Opportunities for culture, recreation and leisure are readily available
- Diversity and local distinctiveness are valued and protected.

An initial fifteen indicators have been adopted. HROC recognises that some of these are less than ideal and that further indicators need to be developed, but has focussed at this stage on readily available data. The table below summarises the current framework.

| Element of Sustainability | Indicator |
|---|--|
| Native vegetation | Area of native vegetation approved for clearing each year |
| Water quality | <i>Beachwatch</i> water quality reading for enterococci |
| Air quality | Number of days on which visibility and pollutant level standard is exceeded |
| Greenhouse gas emissions | Greenhouse gas emissions related to electricity consumption |
| Availability of appropriate housing | Number of households on <i>Rent Start</i> assistance scheme |
| Respiratory illness | Annual admissions to hospital with respiratory illness |
| Immunisation rate | Level of overdue immunisation for children aged 18 months |
| Transport | Vehicle registrations per resident |
| Economy | <i>Hunter Leading Index</i> (a weighted index of 8 indicators) |
| Unemployment | Percentage unemployed region-wide |
| Range of employment | Diversity of employment by industry sectors (benchmarked against Sydney region and Australia as a whole) |
| Confidence in the economy | Perceived community confidence (based on regional survey) |
| Community participation in decision-making | Perceived opportunity to participate (based on regional survey) |
| Social support networks | Perceived adequacy of networks (based on regional survey) |
| Personal safety | Perceived level of personal safety (based on regional and council surveys) |

Conclusion

Performance measurement and management is an essential adjunct to the pursuit of better local governance. The emerging consensus on characteristics or norms of good governance provides a basis for establishing sets of performance indicators to measure progress in achieving those objectives. Through the work of Habitat, TUGI and others a range of possible indicators have already been defined.

Australia's recent experience highlights a number of points:

- The importance of a broad framework for performance management which uses performance indicators as part of a cycle that begins with strategic and corporate planning to set objectives and define necessary activities
- The value of benchmarking - comparative analysis, sharing experience and exploring possible improvements with others - as a key component of successful performance management
- The need for further work on measuring outcomes and the use of qualitative indicators, both of which are fundamental in assessing the quality of governance
- The central importance of accountability to local communities - of structuring programs in a way that is readily understood by citizens, and then reporting to citizens on the results of performance measurement

- The need for flexibility - for local communities to be able to establish systems of performance measurement and set performance indicators that are appropriate to their particular needs and circumstances, and that reflect their own agreed policies and priorities.

Throughout the Asia-Pacific local government is being called upon to play an increasingly important role in the overall system of government and governance. The challenge facing local authorities is to demonstrate their capacity to bring about improved outcomes for their communities. Improving skills in performance management is central to this task and warrants a very high priority in both training and research.

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