Local Government Accountability: Explaining Differences

by

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Abstract:

The competitive theory of public sector management (also known as New Public Management) raises questions about the nature of accountability of governments to their stakeholders. The different level of adoption of NPM at local government level in different Australian states may result in differences in accountabilities between states. For local government, geographic location (urban/rural/remote) may affect perceptions of accountability and help explain the nature of local governance across Australia. While public sector accountability is difficult to define, it is fundamental to our system of government. This empirical study uses a survey of local government managers to examine perceptions of accountability to multiple stakeholders. It comments on what this tells us about the nature of local government in different states and how they have responded to different reform processes. Managers in local government have to contend with multiple accountabilities to multiple stakeholders: ratepayers, the wider community, councillors, and their state governments. The results suggest that managers can work successfully in a framework of multiple accountabilities. It is also clear that there are state-based and geographic differences affecting how managers work within such an accountability framework.

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1. Introduction

Over the last twenty years there has been a shift in OECD countries away from a theory of public sector management based on public interest in a welfare maximising state to one based on notions of a competitive theory of private markets and public institutions (Naschold & Von Otter, 1996, p14). This has certainly been the case in Australian local government (Chapman et al., 1997). With over 660 autonomous local government entities, roughly proportional in number to population throughout Australia's six states and territories, this important sphere of government is directly responsible to state and territory governments.

The competitive theory of public sector management (also known as New Public Management or NPM [Hood, 1995]) raises questions about the nature of accountability of governments to their stakeholders. For example, where does accountability lie when public services are contracted out – with the shareholders of the contracting company, or with the local authority responsible for the service (Fowles, 1993)? Does the contracting out of public services make it easier to devolve managerial responsibility and establish clear lines of accountability (Brennan and Dollery, 1999)? In local government, some states, notably Victoria, have aggressively adopted NPM through regulation and legislation, others have not. Does this result in differences in accountabilities between states? The nature of accountability in local government in different state systems may explain much about local governance in different parts of Australia.

In their critique of changing public sector accountability, Parker and Gould, 1999 (p. 116) note that while public sector accountability is difficult to define, it is fundamental to our system of government. For example, formal systems of accountability are being built into legislation and rules and regulations for government bodies (Fowles, 1993, Hyndman and Anderson, 1995), but this is not enough in the era of NPM. As all levels of government redefine the exact nature of their accountability to a multitude of stakeholders, they need to question their basic purpose and how they work to achieve their goals and objectives. This is no less the case with Australia's state-based systems of local government.

Much of the existing literature on accountability is, by and large, normative, noting the fundamental importance of accountability. However, there is very little empirical research which examines managers’ actual perceptions of accountability. In contrast with this normative literature, the research reported on here provides some empirical evidence about accountability relationships. The objective of this paper is to examine the way managers in different state-based systems of local government perceive and demonstrate their accountability to multiple stakeholders.

2. Literature review

Definitions of accountability

Managerialist changes (NPM) suggest that accountability is increasingly difficult to define in the public sector. Taylor and Rosair (2000) tabulate definitions ranging
from explaining actions, providing information about plans and outcomes, setting goals, answering for responsibility, being concerned with probity, and being answerable for producing outputs and using resources. Parker and Gould note that 'in its broadest sense accountability simply refers to the giving and demanding of reasons for conduct in which people are required to explain and take responsibility for their actions' (1999, p. 116). Yet accountability in local government is much more than explaining and taking responsibility for actions. It has become enshrined in both regulation and practice throughout Australia’s system of local government. Regulations pertaining to accountability derive largely from a managerialist perspective asserting that accountability is a matter of imposing performance monitoring and tight budgets (Sinclair, 1995). Sinclair argues that public sector accountability has moved 'beyond compliance to include issues of performance and effectiveness'. Taylor and Rosair (2000, p. 80) add weight to the argument that 'performance reporting as well as traditional compliance reporting by an entity is emphasized'.

Accountability takes many forms (Sinclair, 1995), and there have been many models of accountability. For example, Stewart (1984) and Broadbent et al (1996) discuss accountability in terms of a ladder. At the lowest level is accountability for probity and legality: funds have been used in an appropriate manner. The next level is process accountability: actions follow due process. Performance and programme accountability together provide an account of the total work programme in terms of specific goals. Finally, policy accountability complements performance and programme levels by accounting for outcomes in broad policy terms in relation to the goals. Sinclair (1995) takes a different perspective. She identifies political accountability, which links the public servant with the CEO who is accountable to council, which in turn is accountable to the electors. Public accountability involves responding to public concerns about their agencies' administrative practices. Managerial accountability focuses on monitoring inputs and outputs or outcomes, while administrative accountability is concerned with monitoring the processes by which inputs are transformed. Professional accountability invokes the sense of duty that one has as a member of a professional or expert group. Personal accountability concerns fidelity to personal conscience in basic values such as respect for human dignity and accepting responsibility for affecting the lives of others. Cochrane (1993) adds that in local government in the UK and in most Australian states we now have contractual accountability (as found in Compulsory Competitive Tendering [CCT]) and rights-based accountability (such as Citizen's Charters). Parker and Gould (1999) contribute further to the debate on forms of accountability by referring to the focus on economic accountability in the context of a change from fiduciary stewardship to financial performance (Miah, 1991). Taylor and Rosair (2000) explain the evolution from fiduciary accountability to managerial accountability in terms of the size of the public sector and demands for the sector to make more efficient and effective use of resources.

**Accountability relationships**

In Australia, local government is a creation of state governments and owes its continuing existence to state government approval. Both managers and councillors
are accountable to state governments, across the range of managerial, public and administrative accountability (Sinclair, 1995) or probity, process and performance accountability (Stewart, 1984).

Using Sinclair's (1995) terminology, the accountability relationships between councillors and ratepayers is a form of political accountability, as is the relationship between managers and councillors. Stewart (1984) would consider it to be policy accountability. Managers have public and managerial accountability to ratepayers, or performance, programme and probity accountability (using Stewart's terminology). Programmes and policies of local government also affect members of the wider community, for example those who work within local government boundaries but do not live there. Managers therefore have both performance and programme accountability (Sinclair, 1995) to the wider community. In summary, municipal managers have accountability to ratepayers, councillors, the State government and the wider community.

NPM and differences in accountability

Local government managers have therefore to balance notions of accountability to the local community in a NPM framework with accountability to state governments. Local governments are increasingly subject to control by state governments, and are required to report on their accountability for 'value for money' in a hierarchical model of financial control (Cochrane, 1993). Exemplifying this, the Victorian state government developed a series of performance measures designed to report on financial accountability and accountability for non-financial outcomes to the local community and to the state government (Cincotta, 1997). These performance measures are not used in other states. This increased emphasis on performance accountability in Victoria may affect how managers in that State perceive their accountability to a range of key stakeholders. There has been increasing emphasis on local government performance measures for accountability purposes in the academic literature. For example, Brennan and Dollery (1999) describe developments in local government performance measures and suggest that judicious use of these will serve to enhance the accountability of local government and make it more responsive to the needs of the community. Ryan et al (2000) propose a series of performance indicators for local government based on financial reports. They suggest these will enhance accountability to external users of local government financial reports.

Accountability in a NPM framework often focuses on accountability for financial outcomes. This is certainly the case in Victorian local government, which was reformed on the basis of improving financial and economic results. There is a risk in this focus on financial accountability, in that arguments about effectiveness and quality of service (performance and programme accountability (Stewart, 1984)) are avoided because they cannot be quantified (Fowles, 1993). Hood (1995) and Miah (1991) conclude that accountability in the era of NPM is moving more towards the concept of accountability for financial outcomes. Increasingly, corporatised and commercialised government services have resulted in a movement from external to internal accountability (Parker and Gould, 1999). Parker and Gould suggest the new
public management purports to enhance economic rationality with professional management systems and a concentration on economic accountability. This may impact on smaller and rural/remote local governments, which have fewer resources and may experience difficulty in implementing professional management systems and corporatisation of their operations. Differences may emerge in the perceptions of accountability between smaller and rural/remote local governments and their larger urban counterparts.

European studies (Naschold and Von Otter, 1996) have found that there has been a change from accountability to the public at large to accountability for financial outcomes exercised within public organisations themselves. How do we explain these changing perspectives on accountability? NPM is designed to enhance efficiency and effectiveness (Hood, 1995), and as a corollary gives form to management processes and procedures to achieve these outcomes. If the pendulum should swing back towards a focus on social and equity dimensions of government (Naschold, 1996, Parker and Gould, 1999), then accountability may lessen its focus on financial outcomes and move towards a new model. How do managers themselves perceive accountability? Do they perceive it in purely financial terms, or do they take a broader social perspective? Do they perceive accountability in terms of effectiveness and quality of service in addition to efficiency? How managers demonstrate and rank accountability to different stakeholders will provide an insight into the current direction of accountability concepts.

Discharging accountability

Sinclair’s important research exploring state government CEO perspectives on accountability shows ‘the link between talking about accountability and being accountable’ (p. 223). She identified how CEOs actively create meaning to justify their personal decisions within a normative accountability framework. Based on Smircich’s work (1983), Sinclair used an interpretive framework which ‘focuses on understanding how accountability is derived linguistically and interactively by individual actors.’ This framework is similar to Vickers’ (1968, 1983) notion of an ‘appreciative system’ where decision-makers develop a rationale, akin to Smircich’s interpretive framework, to justify their decisions. We use survey research to explore managers’ perceptions of the structural discourse - their assessment of the importance of accountabilities to different groups of stakeholders using the normative framework of political, public and managerial accountability.

Prior research suggests that local government managers want to be held accountable and want to demonstrate their accountability to their stakeholders (Kloot and Martin, 2000). The discharge of accountability can be demonstrated in a range of ways. For example, Sinclair (1995) suggests that political and public accountability can be demonstrated by preparing reports, holding public hearings and undertaking community consultation. Fiscal accountability can be demonstrated by performance reporting (Miah, 1991, Ryan et al, 2000) and benchmarking. This research examines the use of these techniques in demonstrating accountability.
3. Research Questions

Three general questions have guided this research. First, given the multiplicity of perspectives of accountability revealed in the literature, how do local government senior managers in Australia perceive their accountability to multiple stakeholders?

Local government in Australia exists within a state-based legislative framework. There are differences between states in the degree of state intervention in the local government sector. Victoria has been heavily interventionist, and reforms have included amalgamations (210 councils in 1994 reduced to 78 in 1996), compulsory competitive tendering, dismissal of councillors, and compulsory corporate planning. In other states such as Queensland, there have been very few reforms, linked only to the adoption of national competition policy and the adoption of better financial reporting under AAS 27 Financial Reporting by Local Governments. These differences lead to the second question: do local governments in different states perceive and demonstrate accountability differently?

Third, we are also interested in different perceptions of accountability between urban and non-urban (regional cities, rural and remote) local governments. Compared to non-urban local governments, urban local governments have much greater access to private contractors willing and able to tender for work. Non-urban local governments may also have more local unemployment due to greater closure of local industries (the closure of many rural bank branches is a case in point). The relative ease with which economic and social activity can occur across local government boundaries in an urban or metropolitan setting provides a greater range of opportunities than is generally the case in non-urban councils. These differences impact on the ability of local governments to fully adopt NPM practices with their emphasis on financial outcomes, and on their perceptions of local community needs. Our third question concerns whether local governments' perceptions of accountability are affected by the urban/non-urban factor.

4. Research Method

The data was gathered using a survey questionnaire distributed to all Australian local governments in December 1998. The questionnaire was personally addressed to the CEO in every local authority. 666 questionnaires were distributed and 203 were returned, giving a response rate of 30.5%. There were 195 usable responses, for a final response rate of 29.3%. Given the size of the survey, there was no follow-up to improve the response rate.

While the survey was addressed to the CEO, the researchers had no control over who responded. Respondents were therefore asked to identify their positions. Of the respondents, 42% were CEOs, 18% were directors and the remaining 40% were senior managers. In the remainder of this paper, the respondents will be referred to by the generic term "managers".
The survey included demographic questions (state, local government classification), questions relating specifically to perceptions of accountability to different stakeholders and questions which related to specific notions of demonstrating accountability.

Respondents were asked "How do managers rate accountability to different stakeholders?" Responses were required for each stakeholder group (state government, ratepayers, wider community and councillors) on a fully anchored scale of 1 (not important) to 5 (very important). Respondents were also asked "How has accountability to different stakeholders changed over the last three years?" Again, responses were required on a scale of 1 (large decrease) to 5 (large increase).

Questions were also asked relating to the demonstration of accountability. Using a dichotomous question, respondents were asked to indicate whether or not certain practices were followed. These practices included newspaper reports and public hearings, preparing regular newspaper columns, radio segments, reports to ratepayers, public hearings and community consultation (Sinclair 1995). Questions relating to the use of budget variance analysis and benchmarking required responses on a fully anchored 5 point scale from (1) "no use" to (5) "very frequent use".

5. Results

5.1 Demographics

Responses from each state were approximately in proportion to the number of municipalities in each state. The exceptions were Tasmania and the Northern Territory, where the responses represent a higher than average response rate although they are small in absolute terms.

<table>
<thead>
<tr>
<th>State</th>
<th>NSW</th>
<th>Victoria</th>
<th>Queensland</th>
<th>Western Australia</th>
<th>South Australia</th>
<th>Tasmania</th>
<th>Northern Territory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of replies</td>
<td>57</td>
<td>34</td>
<td>40</td>
<td>32</td>
<td>20</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

There was a good representation of different types and sizes of local governments. Local governments vary according to their geographic location (urban or non-urban) and size (large cities or small remote areas). Consolidating the Australian Local Government Classification from the original 21 classes into 6 classes provides the distribution shown in Table 2 (see Appendix 1 for details of the classes). Capital cities, urban developed and fringe councils are influenced by their urban locations. Conversely, regional cities, rural and remote councils are influenced by their relative isolation.
The results indicate that there are different perceptions of the importance of accountability to different stakeholders. There are also differences in perceptions of accountability between different classes of municipalities, and between states. The mean results and standard deviations, shown in Table 3, show that the highest degree of accountability is to ratepayers and to councillors, both of which rated as 'highly important' to 'very important'. Accountability to the wider community follows in importance. The lowest level of accountability is to the state government. Using a paired samples t-test the ratings for accountability identified significant differences between all categories, except accountability to ratepayers and accountability to councillors. Managers showed clear differences in their ratings of accountability to the various stakeholders.

Table 3
Ranking of Accountabilities

<table>
<thead>
<tr>
<th>Accountability to</th>
<th>Mean (std dev)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 = not important</td>
<td>5 = very important</td>
<td></td>
</tr>
<tr>
<td>State government</td>
<td>3.4 (1.05)</td>
<td>3</td>
</tr>
<tr>
<td>Ratepayers</td>
<td>4.5 (0.72)</td>
<td>=1</td>
</tr>
<tr>
<td>Wider community</td>
<td>4.1 (0.92)</td>
<td>2</td>
</tr>
<tr>
<td>Councillors</td>
<td>4.5 (0.69)</td>
<td>=1</td>
</tr>
</tbody>
</table>

Table 4 shows the mean values of responses to the level of accountability by state and by size and type. Analysis of variance (ANOVA) found that a significant difference between states on accountability to state government \([f(6,191)=3.915, \ p<.05]\). Differences between means were tested using one-way ANOVA. One-way ANOVA controls for Type I error normally associated with multiple t-tests.

Using Tukey's post hoc analysis it was identified that SA rated significantly lower than NSW, Vic, WA and NT. ANOVA also found a significant difference between states on accountability to ratepayers. SA rated significantly higher than Queensland \((p=.05)\).
Table 4
Managers’ Ratings of Accountability to Different Stakeholders
(1 = not important, 2 = low, 3 = moderate, 4 = high, 5 = very important)

<table>
<thead>
<tr>
<th>Panel A: by state</th>
<th>NSW</th>
<th>VIC</th>
<th>QLD</th>
<th>WA</th>
<th>SA</th>
<th>TAS</th>
<th>NT</th>
</tr>
</thead>
<tbody>
<tr>
<td>State government</td>
<td>3.52</td>
<td>3.82</td>
<td>3.32</td>
<td>3.41</td>
<td>2.53</td>
<td>3.17</td>
<td>4.00</td>
</tr>
<tr>
<td>Ratepayers</td>
<td>4.52</td>
<td>4.53</td>
<td>4.18</td>
<td>4.63</td>
<td>4.75</td>
<td>4.67</td>
<td>4.17</td>
</tr>
<tr>
<td>Wider community</td>
<td>4.12</td>
<td>4.15</td>
<td>3.80</td>
<td>4.13</td>
<td>4.10</td>
<td>4.17</td>
<td>4.33</td>
</tr>
<tr>
<td>Councillors</td>
<td>4.38</td>
<td>4.71</td>
<td>4.37</td>
<td>4.56</td>
<td>4.60</td>
<td>4.00</td>
<td>4.50</td>
</tr>
</tbody>
</table>

Panel B: by size and type

<table>
<thead>
<tr>
<th>Panel B: by size and type</th>
<th>Capital city</th>
<th>Urban developed</th>
<th>Fringe urban</th>
<th>Regional city</th>
<th>Rural</th>
<th>Remote</th>
</tr>
</thead>
<tbody>
<tr>
<td>State government</td>
<td>3.25</td>
<td>3.43</td>
<td>3.60</td>
<td>3.37</td>
<td>3.29</td>
<td>4.11</td>
</tr>
<tr>
<td>Ratepayers</td>
<td>4.88</td>
<td>4.44</td>
<td>4.67</td>
<td>4.47</td>
<td>4.52</td>
<td>4.18</td>
</tr>
<tr>
<td>Wider community</td>
<td>4.50</td>
<td>3.93</td>
<td>4.27</td>
<td>4.33</td>
<td>4.01</td>
<td>3.89</td>
</tr>
<tr>
<td>Councillors</td>
<td>4.63</td>
<td>4.41</td>
<td>4.73</td>
<td>4.47</td>
<td>4.47</td>
<td>4.22</td>
</tr>
</tbody>
</table>

Table 5 shows the mean value of perceived changes in accountability, by state and by size and type over the last three years. ANOVA found there was no significant variation between these ratings.

Table 5
Managers’ Ratings of Change in Accountability to Different Stakeholders Over the Last Three Years
(1 = large decrease, 2 = decrease, 3 = no change, 4 = increase, 5 = large increase)

<table>
<thead>
<tr>
<th>Panel A: by state</th>
<th>NSW</th>
<th>VIC</th>
<th>QLD</th>
<th>WA</th>
<th>SA</th>
<th>TAS</th>
<th>NT</th>
</tr>
</thead>
<tbody>
<tr>
<td>State government</td>
<td>3.56</td>
<td>4.26</td>
<td>3.51</td>
<td>4.00</td>
<td>3.45</td>
<td>3.33</td>
<td>3.83</td>
</tr>
<tr>
<td>Ratepayers</td>
<td>3.92</td>
<td>3.97</td>
<td>3.69</td>
<td>4.09</td>
<td>3.85</td>
<td>4.50</td>
<td>3.83</td>
</tr>
<tr>
<td>Wider community</td>
<td>3.83</td>
<td>3.86</td>
<td>3.63</td>
<td>3.82</td>
<td>3.80</td>
<td>4.00</td>
<td>4.00</td>
</tr>
<tr>
<td>Councillors</td>
<td>3.40</td>
<td>3.73</td>
<td>3.49</td>
<td>3.91</td>
<td>3.65</td>
<td>3.33</td>
<td>3.50</td>
</tr>
</tbody>
</table>

Panel B: by size and type

<table>
<thead>
<tr>
<th>Panel B: by size and type</th>
<th>Capital city</th>
<th>Urban developed</th>
<th>Fringe urban</th>
<th>Regional city</th>
<th>Rural</th>
<th>Remote</th>
</tr>
</thead>
<tbody>
<tr>
<td>State government</td>
<td>4.13</td>
<td>3.71</td>
<td>3.93</td>
<td>3.45</td>
<td>3.77</td>
<td>3.83</td>
</tr>
<tr>
<td>Ratepayers</td>
<td>4.13</td>
<td>4.02</td>
<td>4.07</td>
<td>3.80</td>
<td>3.92</td>
<td>3.75</td>
</tr>
<tr>
<td>Wider community</td>
<td>4.00</td>
<td>3.81</td>
<td>3.93</td>
<td>3.87</td>
<td>3.80</td>
<td>3.67</td>
</tr>
<tr>
<td>Councillors</td>
<td>3.75</td>
<td>3.44</td>
<td>3.87</td>
<td>3.50</td>
<td>3.60</td>
<td>3.72</td>
</tr>
</tbody>
</table>
5.2 Accountability to ratepayers

Accountability to ratepayers in local government is one dimension of Sinclair’s (1995) concept of public accountability. Public accountability is a direct accountability to the public, interested community groups and the individual (Thynne and Goldring, 1987).

Of the different types of accountabilities, accountability to ratepayers scored the highest with a mean indicating it was rated as being of high to very high importance. There was little difference between the states, with all rating accountability to ratepayers as at least of high importance. However, as already mentioned, SA managers rated accountability to ratepayers significantly higher (p=.05) than Queensland.

Perceptions of change in the level of accountability to ratepayers also showed some state-based differences, but these were not significantly different. Although 27% believe that there has been no change in accountability, the average score represents an increase in accountability to ratepayers. Surprisingly, one municipality suggested that there had been a decrease in accountability, a view not shared by any others. This is consistent with the literature which suggests that there has been an increasing emphasis on public sector accountability. Queensland ranked marginally behind the others in reporting an increase in accountability. There were no significant differences between urban and non-urban areas: the changes have been consistent throughout the sector.

There are mechanisms which can demonstrate accountability to ratepayers: for example newspaper reports and public hearings (Sinclair 1995). Overall, about 96% of councils prepare articles for local papers. The percentage was marginally higher in South Australia and Tasmania and marginally lower in Queensland, but in general the high percentage indicates a strong sense of accountability through providing this type of information to ratepayers. In terms of size and type, remote non-urban councils prepare marginally fewer reports than other councils.

Preparing a regular council or mayor’s column in local papers is less common: about 65% prepare such columns compared to 96% for articles. There is a marked difference between classifications: remote rural councils are much less likely to prepare such a column (only about 44% do so), and regional cities are more likely to do so (about 78%). This may reflect the smaller skill base available to councils with fewer staff in remote areas, resulting in a lack of staff able to prepare such columns. It may also reflect that smaller councils are closer to their communities and therefore do not perceive the same need for regular columns. There are also differences between states: councils in NSW, South Australia and Tasmania are more likely to prepare such columns (about 80% do) than councils in Victoria, Queensland and WA (about 50%).

Presenting a regular segment on local radio is another method of demonstrating accountability. Just over half (54%) of the councils do have an information segment on local radio. Those least likely to have a segment are urban developed and urban fringe councils (36-40%). Those most likely to have one are regional and capital city...
councils (about 70%). There is some difference between states: councils in Queensland and Tasmania are least likely to have radio segments (40%), whilst those in the Northern Territory are most likely to have segments (83%).

Ninety percent of councils prepare regular reports to ratepayers, delivered to their homes or businesses. Those most likely to do so are urban developed (100%) or in Tasmania (100%). Those least likely to do so are capital cities or remote rural (86%) or located in NSW (86%) and the Northern Territory (80%). The reports that are provided are most likely to be quarterly (42%) or annual (31%). The number of councils providing regular reports is high enough to again demonstrate a strong sense and level of accountability to ratepayers.

Public hearings and community consultation in preparation of plans and policies are other methods of demonstrating public accountability (Sinclair, 1995). Respondents were asked to indicate the nature of community involvement in a number of activities. These required responses on a fully anchored scale from nil involvement (1) to high involvement (5), and covered strategic planning and some specific policies.

For community involvement in strategic planning, community workshops have the lowest level of involvement (little to some). Victoria has the highest level of involvement (some to moderate), the same as capital cities. Queensland and rural councils have the lowest levels. There is only marginally higher community involvement using focus groups. Again, Victoria and capital cities have higher levels of community involvement in focus groups (some to moderate), while Queensland and rural councils are lowest (some). Community involvement is highest when public meetings are held on strategic planning issues (some to moderate involvement). As before, Victoria and capital cities have higher levels of involvement, this time joined by the Northern Territory. Queensland and rural councils are consistently lower.

When specific policies are being developed, there is some to moderate involvement in environment and economic development policies, and some involvement in health and transport policies. Victoria had the highest level of community involvement in all these policy developments (all some to moderate), while Western Australia had the lowest level of involvement for economic development and Queensland the lowest level for the other three. While Victoria appears to be a clear leader and Queensland appears to be clearly behind in community involvement in policy development, it should be recognised that there are some differences in responsibilities across councils in various states. For example, Victorian councils play a larger role in areas of health and welfare than do councils in other states.

There is no clear pattern for involvement in policy development by size and type. Capital cities are highest for economic and transport policy development, urban developed is highest for health policy and urban fringe is highest for environment policy involvement (closely followed by capital cities). The type with the lowest involvement ranges from rural (transport and health), remote non-urban (environment) and urban regional (economic development). This suggests that
capital cities are on the whole more likely to involve the community in policy development except for health policies. This is understandable when considering that capital cities are more concerned with the CBD and business issues (except for Brisbane) and health issues are less important given the relatively low resident population of CBDs in Australia.

The moderate levels of community involvement in the range of activities reported on here suggest that public accountability is important to local government. There is clear evidence that public accountability is more visible in Victoria, where local government reform has been widespread, and in capital cities, and less visible in Queensland, which has a limited reform agenda.

5.3 Accountability to councillors

Political accountability stems from the Westminster system of public servants exercising authority on behalf of elected representatives (councillors). Political accountability demarcates policy determination (councillors) from administrative activities (managers). Managers, however, have a responsibility to ensure that policy decisions are properly implemented. In local government managers also play a large part in the determination of policy (Kloot and Martin, 2000), through the strategic planning process. Nevertheless, managers remain accountable to councillors for administrative functions.

The results of this survey suggest that managers in local government perceive accountability to councillors to be very high (Table 4). Accountability to councillors is as high as accountability to ratepayers, with managers rating it as of 'high' to 'very high importance'. Victorian respondents had the highest rating (very high) and Tasmanian the lowest rating (high) (means of 4.71 and 4.00, respectively). There was less variability in ratings between different types of councils: urban fringe councils returned the highest rating which was only marginally more than remote councils with the lowest. There has been little or no increase in the change in accountability to councillors over the last three years, suggesting that accountability to councillors has always been high.

The rating of accountability to councillors as very high is not surprising. Monthly council meetings, weekly committee meetings, and the like, result in councillors being very visible to managers. In addition, ratepayers with problems may contact councillors in the first instance, with the effect that councillors contact managers on their constituents’ behalf, further increasing the visibility of councillors. We suggest this visibility and contact contribute to the high level of accountability reported here.

In contrast to the suggestion by Parker and Gould (1999, p. 124) that ministers/councillors are more remote in the accountability chain under NPM, managers reported a small increase in their level of accountability to councillors over the last three years. Respondents in Western Australia perceive that there has been a greater increase in emphasis on accountability to councillors, compared to the lowest increase in Tasmania. The responses by council type are highest in urban fringe councils and lowest in urban developed, but again the differences are slight.
As accountability to councillors relates to performance and process, it is often discharged through performance reporting. With the emphasis on fiduciary accountability (Miah, 1991), such reports often relate to financial measures. Previous research (Kloot et al, 1999) has shown budget variance analysis to be a common form of performance reporting. This was confirmed in this research, with 74.6% reporting moderate to high use of budget variance analysis. The use of budget analysis is shown in Table 6, and reflects the importance of this measure across government sectors and classifications. Analysis of variance (ANOVA) found a significant difference between states on the use of budget variance analysis [$F(6,191)=2.739, p<.05$]. Using Tukey's post hoc analysis it was identified that Victoria rated the use of this technique significantly higher than Queensland and WA. This is consistent with the reforms which have taken place in Victoria, with an increased emphasis on accountability in that state.

Table 6
Levels of Use of Budget Variance Analysis
(1=never, 2=hardly ever, 3=sometimes, 4=frequent, 5=very frequent)

<table>
<thead>
<tr>
<th>Panel A: by state</th>
<th>NSW</th>
<th>VIC</th>
<th>QLD</th>
<th>WA</th>
<th>SA</th>
<th>TAS</th>
<th>NT</th>
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<tr>
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<td>4.05</td>
<td>4.60</td>
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<td>3.85</td>
<td>4.10</td>
<td>4.67</td>
<td>3.83</td>
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<table>
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<tr>
<th>Panel B: by size and type</th>
<th>Capital city</th>
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<th>Fringe urban</th>
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<tr>
<td></td>
<td>4.00</td>
<td>4.41</td>
<td>4.13</td>
<td>4.23</td>
<td>3.88</td>
<td>4.22</td>
</tr>
</tbody>
</table>

Frequency of reporting is another method of demonstrating accountability to councillors. The more frequent the reports to councillors, the greater the degree of accountability as councillors can intervene earlier if problems have arisen. Managers are under less scrutiny if reports are infrequent. Table 7 shows by state and type how often business units within councils report on progress against plans to their councillors. Analysis of variance (ANOVA) found significant differences on frequency of reporting between states in several different ways. Frequency of reporting in the NT was significantly lower than SA and Tasmania. WA, however, was significantly higher than NSW and Victoria. Victoria was also significantly lower than SA. There were no significant differences in terms of type. The one thing that is clear from this picture is that quarterly reporting is favoured overall, although councils in WA, SA and Tasmania are largely reporting on an annual basis. Such infrequent reporting reduces the discharge of accountability even while managers are reporting perceptions of high levels of accountability, and in part accounts for the results obtained.
5.4 Accountability to the wider community

Stakeholders in local government include ratepayers, residents, those who use council services (both fee-for-service and free) and the wider community: for example those who work in the local area, and those who trade with businesses in the local area. Local governments are accountable in some form to the wider community, and this research aimed to establish the level of accountability perceived by managers towards the wider community. Parker and Gould (1999) suggest that the new public management with its focus on customers, tends to fragment accountabilities to those who use public sector services and those who do not. If this is the case in local government, then accountability to the wider community would be low.

Managers, overall, rate accountability to the wider community as being of high importance (Table 4). Councils in the Northern Territory perceive a higher level of accountability than those in other states, with Victoria a close second. Queensland local government managers feel a lower level of accountability to the wider community. Capital city local governments have a higher level, and remote non-urban councils a lower level of accountability to the wider community. Given that capital city local governments are responsible for CBDs which have large numbers of people travelling to them to work and large numbers of shoppers who are not residents, this result is not surprising. Capital city local governments must provide services for these disparate groups.

Managers perceive that there has been a slight increase in the level of accountability to the wider community over the last three years (Table 5). Managers in capital cities again have a perception that there has been more of an increase than have managers in other classifications; Tasmanian and Northern Territory local government managers also have a perception that they have experienced a greater increase than in other states, although these differences were not significant. The results for the level of accountability were confirmed when the respondents indicated how the focus on the community has changed over the last three years. There was general agreement that there has been an increase in community focus. Victoria
and Tasmania reported the highest increase in community focus, and NSW and South Australia the lowest, although the differences are marginal. Similarly, there is little difference between classifications, although fringe urban councils reported the highest increase and regional urban the lowest increase.

Overall, there is a perception that accountability to the wider community is strong, and that it has increased over the last three years. In local government at least, it appears that accountability is not fragmented (Parker and Gould, 1999), but that managers take a holistic view of accountability as including the whole community, not just 'customers'. In fact, the emphasis on customers, particularly in Victoria, appears to have increased managers' perceptions of accountability to the community. The radical restructuring of local government in Victoria has created this emphasis on customers contributing to the increased attention to accountability to the community.

Many of the mechanisms by which accountability to ratepayers is demonstrated are also mechanisms by which accountability to the wider community is demonstrated. Newspaper articles, radio segments, community consultation and the like are not limited to ratepayers, they also include the wider community, as we have defined earlier in this paper.

5.5 Accountability to State Government

Formal reporting and information requirements imposed on local governments by the states give rise to high levels of legislated accountability. State governments provide the legislative framework and operating environment for local governments. State governments impose conditions on local governments and may, as happened in Victoria, radically restructure and reorganise local government. Each local government must report on its performance over a number of dimensions to its respective state government. On the basis of perceived performance of local government, the state can determine whether or not a local authority has continued existence, leading to high formal accountability to the state government. The legislative requirements for information and reporting to the state meet Parker and Gould's 1999 definition of accountability: the giving and demanding of reasons for conduct in which people are required to explain and take responsibility for their actions.

We would therefore expect that managers would perceive accountability to the state to be relatively high. Conversely, although the states have the power to restructure and determine performance criteria, some states have not exercised it. In such states, we would expect perceived accountability to the state to be lower.

Managers ranked accountability to the state government as being of moderate to high importance, but lowest of the types examined in this research. Consistent with expectations, Victoria and the Northern Territory have the highest ratings, followed by Western Australia. South Australia has by far the lowest rating, which was significantly different (p<.05) from NSW, Vic, WA and Tasmania. The high rating that Victorian managers gave to accountability to the state government is not surprising,
in light of the major restructuring of recent years and close control over the sector now maintained by the State Government. The Kennet Government in Victoria was faced with a difficult fiscal situation in the early 1990s and had the mandate in both houses of parliament to effect change. This clear-cut mandate did not exist to the same extent in all states, nor were they facing such difficult financial situations as in Victoria. SA managers' significantly lower ranking of accountability to the State Government reflects the reform strategy in that State. The SA Government decreed that rationalisation of local government through amalgamations should occur and gave local governments an eighteen month time frame in which to negotiate amalgamations with their neighbours. SA local governments proceeded with amalgamations with much less state government intervention than had occurred in Victoria. We believe that SA local governments' view of the experience of their Victorian neighbours heavily top-down approach to rationalisation may have provided sufficient motivation to proceed with a more local government driven change process.

Local governments in all states reported a moderate increase in accountability to the state government. As expected, Victorian municipalities reported the highest perceived increase in the range increase to large increase, but the difference was not significant.

When examining perceptions of accountability to the state by sector classification, it was interesting that capital city managers perceive this accountability to be only moderately important whilst remote area managers perceive it to be of high importance. This may be explained in terms of the level of funding provided by the state to local government. State government funding through the Commonwealth and State Grants Commissions is higher for rural and remote rural area councils than for urban councils (OLG 1993), so remote area councils have more to lose if they do not perform well on state government criteria.

The discharge of accountability to the state government is largely reliant on mandatory reporting to the state. Annual financial reports, reporting progress against corporate plans, reporting on customer satisfaction, and annual grants commission returns are some of the reports which are designed to ensure that local government is accountable to the state. Benchmarking is another way of demonstrating accountability to the state government. State governments publish league tables on local government performance (see for example Local Government Side by Side, published by the Victorian State government). A local government trying to demonstrate to the state that it is efficient and effective may undertake benchmarking as a method of proving this, to reduce the likelihood of state intervention.

The level of benchmarking is shown in Table 8. Analysis of variance (ANOVA) found a significant difference between states on the use of benchmarking ($f(6,188)=1.982, p<.05$). Using Tukey's post hoc analysis it was identified that the importance of benchmarking in Victoria was significantly higher than in Queensland. These results suggest that Victorian councils place a high emphasis on benchmarking which is consistent with the higher levels of accountability to the state government found.
there. While the mean scores for capital cities and urban developed areas suggest they are more likely to benchmark their performance than other types of councils, ANOVA shows no significant difference between types. It is the difference between states which suggests more about the perception state governments create in determining the emphasis individual councils place on this technique as a measure of performance, and ultimately, accountability.

Table 8
Mean use of benchmarking
(1=never, 2=hardly ever, 3=sometimes, 4=frequent, 5=very frequent)

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<th>Panel A: by state</th>
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<th>Panel B: by size and type</th>
<th>Capital city</th>
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<th>Regional city</th>
<th>Fringe urban</th>
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<td>3.07</td>
<td>3.07</td>
<td>2.79</td>
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6. Discussion and Conclusion

The first conclusion which can be drawn from this research is that performance monitoring and tight budgets, often-used methods of demonstrating accountability under NPM, (Sinclair, 1995) do not capture the multiple concepts of accountability in local government management. Accountability at this level of government consists of far more than just financial accountability for inputs. Many aspects of accountability are not measurable in financial terms: accountability to ratepayers relates to effectiveness and community outcomes, in addition to financial stewardship.

In comparative terms, managers in local government have demonstrated that there are both similarities and differences between states in terms of accountabilities. The multiplicity of stakeholders in local government may result in conflicting accountabilities, but very similar relative emphases on accountability to multiple stakeholders are evident across states. Local governments in Australia have placed higher emphasis on external, public accountability – to ratepayers and the wider community – than they have on political accountability to state government. Although state governments have the power to remove and restructure local government, managers are more concerned with meeting community expectations than they are with meeting state government expectations. There is past evidence in the Victorian situation that state government expectations do conflict at times with community expectations, seen in compulsory boundary restructure and amalgamations which were opposed by local communities in 1993 – 1994. Even in Victoria, this past experience has not lead to a higher priority being placed by local
government managers on accountability to the state *vis-a-vis* ratepayers and the community.

Differences were found between states in the levels of accountabilities, and how accountability is demonstrated. In general terms, Victoria demonstrates higher levels of accountability across most dimensions. Queensland demonstrates, in general terms, a lower level of accountability in most dimensions. Do state governments influence accountability even while managers report lower levels of accountability to the state? The results reported here suggest that this is so. We suggest that the extensive legislative changes in Victoria - restructuring, amalgamations, CCT - have forced local governments to re-assess their role, including those relating to accountability issues. Queensland local government has not experienced the same changes. Restructuring, for example, has not occurred because of political concerns about the employment consequences in rural areas. The Queensland State government's concerns about the 'politics of backlash' in that state, and its healthy economic position relative to other states, have contributed to the maintenance of the status quo, rather than the imposition of change based on the principles of NPM.

Parker and Gould (1999) note Sinclair's (1995) observation that 'accountability is continually being socially constructed'. Is this an explanation for the state-based and classification-based differences in accountability revealed in this research? We would agree with this conclusion. However, we would go further to note that the state-based differences revealed in the research are as much a function of the different economic and political circumstances in each state as they are of philosophical positions about public sector management. The reality of the parlous economic situation in the State of Victoria in the late 1980s, for example, meant that public sector reform had to be implemented rapidly. Conversely Queensland, buoyed by a strong resource based economy during this period did not have the same impetus for change. Rural and remote communities have different agenda - maintaining employment within close knit local communities - which also may explain different accountabilities.

Multiple forms of accountability (Sinclair, 1995) may also influence the perspectives of accountability found in this research. Sinclair's (1995) forms of political, public, managerial, administrative, and professional accountability can be characterised as organisational accountability, and determine both internal (management structure and process) and external (strategic and corporate choices to achieve community aspirations) forms. Contract specification under competitive tendering, the split between clients and providers, performance measurement and benchmarking are processes which are influenced by perceptions of internal organisational accountability, and these differ between states. The development of corporate and strategic plans including vision, goals and objectives, and decisions about the type and level of service provision are examples of processes influenced by notions of external organisational accountability. It is clear that despite state differences, managers throughout local government have strong notions of external accountability.
Limitations and future research

This research was based on a survey, and therefore the usual limitations which apply to survey research apply to these results. In addition, it should be noted that data enabling a test for non-response bias was not collected. This represents a further limitation of this study.

Organisational accountability was the major focus of this research. Managers' perceptions of personal accountability (Sinclair, 1995) are an area for future research. These perceptions were not explored in depth in this survey, but play a critical role in the multiple forms and responsibilities of accountability. From the perspective of external accountability, managers' moral and ethical views affect their perceptions of local government's role and responsibilities and its accountability to the wider community. Their views also affect their beliefs about local government's strategic focus and have implications for service delivery options. Perceptions of personal accountability also affect accountability within local government organisations. Moral and ethical choices affect the structuring and management of workplaces, and perceptions of corporate citizenship and leadership.

Managers in local government have to contend with multiple accountabilities to multiple stakeholders. Despite attempts in some states, notably Victoria, to institutionalise accountability to ratepayers as a single form of accountability, managers also feel very accountable to the wider community, and to councillors, and to a lesser extent accountable to the state government. Accountability was assessed from the ratings managers supplied, and managers themselves have given high ratings to each of the multiple accountabilities within this study. These results suggest that managers can work successfully in a framework of multiple accountabilities. It is also clear that state-based differences affect how managers work within such a framework, and which accountabilities dominate at any time.

Bibliography


Appendix 1

Local government classifications used in this research.

The Australian Local Government Classification includes the following groups:

|-----------------|---------------------|---------------------|-------------------|------------------------|

The classification used in this research was:

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<th>ALGC category</th>
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