Project performance reporting in New South Wales local government

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**Abstract:** Mandatory performance reporting for Australian councils focuses on financial data which is used to compare organisational performance. Despite comprising a significant part of council expenditure, reporting on project performance is not regulated. Using data available within council Annual Reports, this research compared the ways in which project performance is being measured, and a measure for project success was developed. Project success was measured for each of the five Office of Local Government (OLG) New South Wales (NSW) categories. This research highlights the inconsistencies in the way local government project performance is being reported and presents one measure of project success based on publicly available information

Keywords: Performance reporting, projects, Australia, local government, public sector

1 Introduction

Local government in New South Wales (NSW) Australia is responsible for the delivery of a variety of projects, often with variable success measures. The performance of local government projects has the ability to influence organisational outcomes either positively or negatively yet project success reporting is not mandated or consistent. However, local government performance reporting tends to focus on financial measures and the usefulness of performance reporting can be limited (Ammons & Rivenbark 2008). Project management literature commonly defines project success as completion within the constraints of time, cost, and quality and is also known as the ‘Iron Triangle’ (de Carvalho et al., 2015). The Iron Triangle primarily measures the project management success at completion of a project. First developed by Barnes in the 1970s the Iron Triangle sought to improve collaboration between production engineers, engineers responsible for cost, and the organisation’s management (Albert et al., 2017). However meeting the time, cost and quality constraints of project management does not always underpin a successful project (Joslin and Müller, 2015; Musawir et al., 2017; Sebestyen, 2017). For this research project management literature relating to measuring project success was reviewed. In total 39 journal articles specifically related to measuring project success ranging from 1998 to 2020 were considered. The review showed that the most prevalent success measures used the Iron Triangle and a component of stakeholder/customer satisfaction (Berssaneti and Carvalho, 2015; Hassani-alaoui et al., 2020). Incorporating both of these measures means the project is judged against internal and external outcomes during and on completion of the project rather than any single measurement which may be influenced by factors outside the project manager’s control (Ika, 2009; Müller and Jugdev, 2012). Noting the most common measures of project success this research intends to determine how project success is being measured and reported by NSW local government and what the current success level of NSW local government projects is. A correlation analysis is then undertaken to address the economic theory of economies of scale.

In order to answer the research questions, firstly the history of reporting in government and current practices in NSW local government is considered. Using publicly available documents from each NSW council, an appropriate success measure is adopted and then determined. The organisational size and revenue is obtained and correlated with the project success results to determine if the analysis supports the theory of economies of scale. A final discussion focusses on suggestions for improving project reporting in NSW local government.

# *International Local Government Performance Reporting*

In order to provide context to performance reporting in NSW local government a brief discussion of international and Australian local government performance reporting is undertaken. In both the case of Australian and international reporting requirements there is no consistency in what, when and how local government must report. A review of 17 countries including Australia to determine any similarities and identify barriers to performance reporting found numerous differences including: the compulsory nature of performance reporting; auditing of reports; reporting more than financial measures; publication online; and the amount of flexibility in reporting performance indicators (Brusca and Montesinos, 2016). Countries with minimal or no performance reporting or where reports were difficult to obtain were not included. Other studies also present the differences in international performance reporting. For instance New Zealand councils must produce a Long Term Plan (LTP) and then produce an annual report on their performance against the LTP (Keerasuntonpong and Cordery, 2018). The New Zealand annual reports have been described as “…a useful source of information…” and recommended to be condensed to make it easier for users to find information (Ehalaiye, Redmayne & Laswad 2021, p.96). Italy and Spain are mandated to produce performance reports by their central governments (Montesinos et al., 2013), whereas local government in Ghana use a non-financial reporting system (Kaye-Essien, 2020). As to be expected with different governing structures, local government (or equivalent) performance reporting is variable from country to country.

Similar to the variability between countries, states within Australia have different requirements for performance reporting such as requirements for strategic objectives in Victoria and publication of comparative information in Queensland (Brusca and Montesinos, 2016). Within the remaining states and territories of Australia different performance measurement systems are in use and not all are mandatory (Montesinos et al., 2013; Brusca and Montesinos, 2016). Reports on local government performance make use of accrual accounting and tend to focus on financial operations as they are easier to measure and compare between councils. As Walker (2002, p.43) states “without some form of information about operational performance, much of the information conveyed in purely financial reports on expenditure by general government agencies lacks meaning.” In addition to required performance reporting the Victorian State Government also conducts and publishes a state-wide community survey of each council comprising a minimum of 400 residents (Victorian State Government, 2022). Whilst not a mandated reporting requirement for local government the surveys benchmark resident views on overall performance; consultation and engagement; customer service; and overall direction. A study of Australian government agencies found a majority of respondents believed performance reporting was useful to stakeholders (Lee, 2008). A survey such as the Victorian State Government one could demonstrate if performance reporting is indeed useful to stakeholders.

# *1.2 Performance Reporting in NSW Local Government*

Local government in NSW is required to regularly demonstrate to the community and reporting bodies that they are achieving sustainable operational targets through performance reporting. Councils primarily demonstrate their sustainability and efficiency through audited General Purpose Financial Statements (GPFS) within Annual Reports. A perceived lack of efficiency in government agencies led to the introduction of New Public Management (NPM) early in the 1980s through to the late 1990s which sought to improve organisational performance by introducing modern business practices (Christensen and Lægreid 2011; Hammerschmid et al., 2016). One example of the influence of NPM on public organisations was the increased importance of accountability such as financial performance reporting (Caperchione et al., 2017; Pollanen 2014). Furthermore one of the underlying doctrinal components of NPM put forward by Hood (1995) was the adoption of formal measures of performance and success. The introduction of measurable standards was an attempt to address low trust in politicians and managers of public organisations (Hood, 1995). In some cases ‘gaming’ of performance reporting occurred whereby performance reporting was selective in the information provided (Try and Radnor, 2007; Walker, 2002). ‘Gaming’ is used to refer to reported data having a degree of distortion (Drew and Grant, 2017).

As well as gaming, an unintended consequence of NPM was the creation of new barriers to efficiency, such as duplication of roles, reduced public service ethos and increased costs; all of which led to a reduction in NPM reforms in some countries (Demir, 2018; Dunleavy et al., 2005). Known as ‘Post-NPM reforms’, the revision of government processes including transparent decision making, community engagement and decentralisation commenced in the late 1990s and continues throughout international government agencies (Christensen and Lægreid, 2011; Demir 2018). The level of NPM is variable between countries, with some still following the NPM practices with others progressing toward post-NPM reforms (Hammerschmid et al., 2016). Despite the curtailment of NPM the mandatory performance reporting of public organisational performance focused on financial statements has remained in NSW local government.

Public interest of government performance regularly focuses on projects rather than ongoing management of day-to-day operations due to the exciting nature of projects, the defined goals, and finite schedule (Rosenthal, 1989). This public interest is reflected in various local government prizes and awards which are primarily focused on large capital projects. Even the way councils communicate with their ratepayers and the wider community demonstrates a difference between projects and operations. Often newsletters and websites showcase the latest capital project to be completed by a council rather than improvements in services even though the latter may have brought about commensurate financial savings or other benefits. For example councils can achieve significant savings through ad hoc resource sharing between adjacent councils for functional areas such as waste disposal and administrative services (Dollery and Johnson, 2005). However resource sharing is unlikely to be promoted by the councils involved possibly due to the low community interest.

# *1.3 Amalgamation in local government*

Performance reporting of NSW local government has been used to support a reduction in the number of councils through amalgamation. Significant savings and improved efficiencies have been put forward as reasons to amalgamate NSW councils (Drew, Kort and Dollery, 2017). Local government reform has been primarily driven by the NSW state government through the Office of Local Government NSW (OLG NSW) in order to create sustainable councils which are able to meet the future needs of the community OLG NSW 2016b). The local government reform process was also supported by the NSW private sector which argued that larger councils in fewer numbers would enable strategic decisions to be enacted more effectively (Sydney Business Chamber 2015). Self-reported data has been used to compare councils and identify which councils are deemed unsustainable and therefore not ‘fit for the future’ and suitable for amalgamation. The basis for reform has relied on ‘economies of scale’ and resulted in reporting bias both of which will be discussed further

# *1.4 Projects and Operations*

In an operationally focused organisation such as a NSW council successful projects indirectly lead to better performance (Cooke-Davies, 2002) and attract a more diverse workforce (Rosenthal, 1989). Projects can also directly impact organisational performance whereby poor project performance can increase on-going operational maintenance costs or require extensive re-work in excess of the initial project budget. In either of these cases limited expenditure must be increased. The community interest in projects is not reflected in legislated reporting requirements for NSW local government, such as the OLG NSW annual Comparative Information of New South Wales Local Government (CINSWLG) reports (OLG NSW, 2014).

Under the Integrated Planning and Reporting (IP&R) framework councils are required to develop a ten year Community Strategic Plan (CSP), a four year Delivery Plan, and a one year Operational Plan (OP) (OLG NSW, 2013). As the name suggests the OP predominantly focuses on the operational aspirations for each council. Performance against the OP and the financial performance and capability of each NSW council is compiled and published in an Annual Report. The IP&R framework typifies the post-NPM reforms as councils are required to focus on community engagement during the development of the CSP and transparency in decision making when publishing their Annual Reports. Annual Reports are a transparent method of presenting public performance to the community however they infrequently report non-financial performance (Lee, 2008).

When non-financial data such as project success is reported individual councils are inconsistent in their approach. Each councils’ Annual Report is scrutinized by the OLG NSW focusing on independently audited financial statements and associated financial indicators such as: Debt Servicing Ratio; Infrastructure Backlog Ratio; and Operating Performance Ratio. The various ratios provide an overall picture of the financial status of each council, which is then used for benchmarking purposes. For example the Operating Performance Ratio measures a council’s ability to contain operating expenditure within its operating income (OLG NSW, 2015). Whilst the use of ratios provides a convenient method to compare council financial performance quickly they may not align with broader organisational objectives. For example, a swimming pool or community library can provide intangible benefits to residents however they often run at a financial loss which impacts organisational sustainability and financial outcomes.

The divergence between what is important for achieving organisational objectives and what is useful for reporting in Annual Reports has been recognised by senior management in Australian government agencies: “…there is a mismatch between what is perceived as important in achieving the objectives of an organization, its development, and its perceived usefulness for reporting in annual reports” (Lee, 2008, p.142). Within Australian government agencies customer satisfaction was perceived as an important output but was not viewed as useful for reporting when compared to financial information which rated highly for both (Lee, 2008). Delivering services for the lowest operational cost is understandably a focus for local government. However as successful project delivery can impact future operational costs projects could also be a performance indicator of local government efficiency. By considering the reporting requirements that NSW local government must adhere to it can be seen that despite public interest in projects performance reporting is predominantly focused on operational performance through financial reports. This focus on financial reporting contrasts to the views of senior Australian government managers who support a multi-dimensional approach to performance reporting, including both financial and non-financial information (Lee, 2008).

# 2 Theoretical Framework

This section addresses the theoretical framework of economic theory and economies of scale.

***2.1 Economy of scale***

Economic theory has produced several definitions for the ‘economy of scale’ generally regarded as when costs per unit are reduced as an organisation increases in size (Hanson, 1964; Reynolds, 1983). Under economic theory an organisation has an optimum size at which unit costs reach their minimum; increases past this point result in ‘diseconomies of scale’ resulting in a ‘U-shaped’ cost function (Drew, Kortt and Dollery, 2016; Hanson, 1964). The rationale behind amalgamating councils and thereby reducing council numbers is that it results in greater economies of scale, which improves efficiency (Allers and Geertsema, 2016; Drew, Kortt and Dollery, 2017b). Economies of scale in local government may be achieved through increased specialisation, greater purchasing power to reduce unit price and reduction of administrative overheads which is claimed to lower rates for the community (Dollery, Crase and Johnson, 2006; Grant and Drew, 2017).

***2.2 Empirical data for local government economies of scale***

In the literature there has been support for economies of scale, diseconomies of scale and no economies of scale on the basis of the variations in public services (Blank, 2018; Blom-Hansen et al., 2016; Kortt, Dollery and Grant, 2012). For example, labour-intensive services were argued to support diseconomies of scale whilst capital-intensive services such as domestic water supply supported economies of scale (Kortt, Dollery and Grant, 2012). Savings due to economies of scale were found in administration costs but not in other areas such as total revenue (Gendźwiłł, Kurniewicz and Swianiewicz, 2020). Amalgamated Danish councils were found to have lower spending in the areas of local road maintenance and administration; however, costs increased in the areas of special needs childcare and labour market policy, and most areas had no change in spending (Blom-Hansen et al., 2016). A study into the inconsistent empirical results on the effects of inter-municipal cooperation and service delivery costs concluded that such cooperation can be beneficial for reducing costs in some services and not others (Bel and Sebő, 2021). An empirical literature study on amalgamation found that whilst there was improved efficiency in general administration, the quality of local democracy was lowered (Tavares 2018). Extending this view further, diseconomies of scale may be found due to lack of coordination, increased complexity and lack of transparency (Grant & Drew 2017).

In order to contribute to economic theory and the empirical data on scale economies, this paper considers the effect of organisational size and total revenue on reported project performance. The results will add to existing empirical studies supporting either economies of scale, no economies of scale or diseconomies of scale.

# 3 Research Method

This research used secondary data contained in publicly available individual NSW council reports. Each council produces and publishes an Annual Report on their website for public access. It was assumed that each council has robust quality assurance protocols in place to ensure the accuracy of the data they report. The self-reporting nature and potential for associated bias is a limitation of the research and is discussed further.

# *3.1 Population and sample*

The population for the research comprised all 128 NSW councils that existed at the time of data collection. In May 2016, 39 former councils were affected by amalgamation, resulting in the creation of 17 new councils via a proclamation intended to “amalgamate various local government areas and to make consequential savings” (NSW OLG, 2016, p.1). Following amalgamation and during the transition period Annual Reports were presented for each of the former councils that previously existed. The data collected for this paper illustrated the performance of the new councils as the Annual Reports represented the councils that existed post the 2016 amalgamation.

# *3.2 Categorisation of councils*

Various systems to categorise councils in NSW have been used by both the state and federal governments primarily focused around performance reporting. The use of categorical systems to monitor performance in local government varies from country to country as well as state to state and not all category systems adequately capture differences and impacts of unique environmental factors such as population, demographics, and industry (Drew and Dollery, 2015). The NSW Independent Local Government Review Panel (ILGRP) recognised that local government in Australia varies enormously in population, area, topology, and resources, however they are all still governed by the relevant state laws (ILGRP, 2013).

A standard governance approach to unique organisations can have significant impacts for individual councils as it can change the way the federal and state government distribute grant funding, such as road grant funds (Drew and Dollery, 2015). Changes to funding levels can substantially influence the financial sustainability of each council as financial grants can make up as little as 3.4 per cent to over 50 per cent of a council’s income (ILGRP, 2013). As well as funding, NSW councils vary in geographic area from 5.7 square kilometres to over 50,000 square kilometres (Independent Pricing & Regulatory Tribunal, 2009). These variations mean that population densities range from 0.005 people per square kilometre (Central Darling Shire) to approximately 6,600 people per square kilometre (Waverley Council) (IPaRT, 2009). The variance of NSW local government is reflected in numerous other characteristics such as: economic growth rates; industry; and population growth. Despite these differences all councils within NSW are governed by the same regulations and must report on the same performance criteria.

The federal government in Australia classifies councils using the Australian Classification of Local Governments (ACLG) which has 22 separate local government categories (Department of Infrastructucture and Regional Development, 2015). The IPaRT (2009) uses five categories of council, based solely on location; Sydney city; metropolitan; urban fringe; regional; and rural. For their CINSWLG report, the OLG NSW use 11 of the 22 categories identified in ACLG, which they refer to as ‘OLG Groupings’ (OLG NSW, 2014). They note that this can mean there are often large differences between councils in the same group. Despite this the categories provide a quick and easy way to group councils that share similar characteristics.

The OLG NSW have also used a smaller geographical version of groupings with five council types for performance reporting: metropolitan; metropolitan fringe; regional town/city; rural; and large rural (OLG NSW, 2015). A further categorisation system was used by the NSW state government when preparing its Destination 2036 Discussion Paper (Elton Consulting and OLG NSW, 2011). The discussion paper divided NSW councils into five broad groups again based solely on location: inner and middle Sydney; outer Sydney; inland regional centre; coastal; and rural and remote. The categorisation systems discussed and used in NSW local government are shown in Table 1.

Table 1. NSW local government categorisation systems (Source: Authors)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **OLG NSW (2014)** | **IPaRT (2009)** | **OLG NSW (2015)** | **Audit Office of NSW (2018)** | **Fit for the Future** |
| Metropolitan developed | Sydney City | Metropolitan | Metropolitan | Inner/middle Sydney |
| Regional town or centre | Metropolitan developed | Metropolitan fringe | Regional town or centre | Outer Sydney |
| Fringe | Regional town or centre | Regional town or centre | Rural | Inland regional centre |
| Agricultural | Fringe | Large rural |  | Coastal |
| Remote | Rural | Rural |  | Rural and remote |

Out of the various available systems this research makes use of the five categories of council used by the OLG NSW (2015). The chosen system does not rely on a single factor to divide councils resulting in uniformity when grouping councils together and is also consistently used by the OLG NSW. The five categories are shown geographically in Figure 1.

Figure 1. Council categories within NSW, the north-western area (grey) is not a part of any local government (Source: adapted from NSW Local Government and Municipal (LGAM) Knowledge Base, n.d.)

Figure 1 here

# *3.3 Project Success Calculation*

Using the available information from each council’s Annual Report a project was considered a success for this research if it was reported as ‘completed’ within the financial year. For example, Narrandera Shire Council included a table of projects with 149 projects out of 189 projects described as ‘completed’ resulting in a success percentage of 79%. During the data collection period NSW had 128 councils. The website associated with each council was visited and annual reports downloaded and analysed. Out of the 128 councils, 40 had sufficient information to calculate a project success score using the adopted method. Fourteen of the 40 results came from the Metropolitan category followed by 12 from the Large Rural category. Only one Annual Report with sufficient information came from the Rural category. The numbers from each category used in the data analysis are shown in Table 2.

# *3.4 Project Success and Variables*

In addition to project success two variable characteristics of each council were recorded, total council revenue and organisational size. The organisational size was determined from the corresponding Annual Report used to measure project success, where size was the Full Time Equivalent (FTE) employee number. The FTE is a measure used and reported in local government where one FTE is equivalent to the full-time workload for one employee. The total revenue for each council was obtained from the Report on Local Government (Audit Office of NSW 2018b). Once both data sets had been obtained the average for each of the five OLG categories was calculated. Increased revenue and organisational size have been used as an argument for improved efficiency through greater economies of scale such as reduced administration costs (Allers & Geertsema, 2016; Drew, Kortt and Dollery, 2017; Gomez-Reino and Martinez-Vazquez, 2013).

# *3.5 Project success and Economies of Scale*

In the final stage project success is analysed to determine if there is a correlation between organisational size and revenue. The results determine if there is support for the position that larger councils result in better outcomes.

4 Data Collection

Quantitative data was collected through publicly available documentation to determine how project success is being measured in NSW local government. Each councils’ Annual Report was downloaded from their website, assessed and project information recorded. All 128 Annual Reports were included. The four most common success measures (1. time, 2. cost, 3. quality and 4. customer satisfaction) were considered against the recorded information in the Annual Reports. Out of the four possible options, customer/stakeholder satisfaction with individual projects was not reported. Similarly, project quality was not recorded or reported. Some councils reported information relating to project costs at a broad level, with the majority not reporting project costing information. As with cost some councils reported project progress in three ways; project has been completed within the financial year; project was not completed; or project was still in progress. Adherence to a specific project schedule was not reported, and some councils provided no information on project completion. Using the information provided in relation to project completion all reported projects for the most recent Annual Report were totalled then those projects completed during the financial year were expressed as a percentage of total projects to determine a success measure for each council. The results were then combined to produce a success measure for five OLG NSW groupings and NSW government overall.

# *4.1 Self-Reporting Bias*

Each council in NSW is required to undertake mandatory self-reporting in relation to organisational performance, one form being the Annual Reports used for this study. The OLG NSW openly use the financial and statistical results from each council’s Annual Report to produce comparative data which is published annually in the CINSWLG (OLG NSW). In the CINSWLG each council is represented through a two-page summary which includes a brief description of the council, a map showing the council boundary, population statistics, economic statistics, organisational statistics and financial statistics. Next to each of the council statistics there is a second column which compares that council with the OLG NSW group average. In 2019 the OLG NSW launched the ‘Your Council’ website to provide performance benchmarks so ratepayers can compare their council’s performance with similar councils to replace the CINSWLG (OLG NSW 2019). Similar to the information in Annual Reports and the CINSWLG, the ‘Your Council’ website focuses on financial data for each council compared to their OLG NSW group average and the information is drawn from the self-reported Annual Reports. Thus each council is directly compared to all similar councils on a broad range of indicators, such as annual rate charges, administration expenses and infrastructure expenditure per capita. The OLG NSW through the relevant Minister then has the power to place a council on a financial watch list or recommend them for amalgamation if they are ranked lower than the benchmark indicators (Pilcher and Dean, 2009).

Mandatory and comparative public performance reporting of government agencies such as required by NSW local government creates risk averse cultures due to negativity bias (Charbonneau and Bellavance, 2012). Negativity bias has been shown to lead to blame avoidance in public reporting and can result in data manipulation (Charbonneau and Bellavance, 2012; Try and Radnor, 2007). In a study of 16 executives from the Canadian federal government a highly risk-averse culture was found because of negativity bias leading to gaming or selective performance reporting (Try and Radnor, 2007). Similarly in a study of 982 Quebec municipalities with mandatory reporting managers with lower performance tended to present their results more positively (Charbonneau and Bellavance, 2012). A study of English local governments showed that voters displayed negativity bias whereby poor performing politicians were not re-elected without commensurate positive rewards for top performers (James and John, 2007).

Knowing that negative results will garner more attention than positive results NSW councils may present their results in a positive way. For example, how project performance is reported in each council’s Annual Report is individually determined and different methods are selected so that the outcome to the organisation is favourable. Some councils report on a few select projects whereas other councils report line-by-line on all projects initiated during the year. Even in the latter case no definition of success is provided whether it be that funding was spent, stakeholders were satisfied, or the project was completed on schedule. One example of data manipulation was found in Russian regional government where not only did reported performance differ from actual performance, actual performance was unknown (Kalgin, 2016). Furthermore, data manipulation was most apparent when it involved self-reporting. In the Russian regional government case self-reported indicators unexpectedly showed nil variation from year-to-year over a five-year period. A study of two London based agencies, the Treasury and the Prime Minister’s Delivery Unit, found multiple types of target manipulation including: allocating additional resources to meet a target at one point in time; quietly removing a target after a drop in performance; and fabrication of reported results (Hood, 2006).

Blame avoidance is not the only reason that has been recognised for gaming and manipulation of performance results. Councils in regional and rural areas are often the largest employer within the local government area. Closing council offices and relocating services to regional cities and coastal towns has increased unemployment in rural towns (Collits and Gastin, 1997; Tiley and Dollery, 2013). The rationalisation of council administration and services to lower costs is a key tenet of the pro-amalgamation argument. Hence the negative impact to a community may provide an alternative reason for gaming of performance reporting by a regional or rural council.

In an Australian context Taylor (2011) studied performance reporting of 24 Australian public agencies. Taylor’s (2011) study confirmed that the public agencies used performance indicators to present the organisation in the best possible way rather than as a true representation of the organisational performance. More specifically in the process of NSW local government amalgamations the NSW state government employed multiple agencies as a blame avoidance measure (Drew, Grant, and Campbell, 2016). Six agencies were used to shift blame over a period of four years. In a later study Drew and Grant (2017) identified unexplained changes to NSW local government performance indicators. The authors found that half of the councils assessed may have gamed their performance reporting presenting a distorted picture. Senior managers from 41 Australian government departments were found to hide unfavourable results (Lee, 2008). The organisational performance study by Drew and Grant (2017) of NSW councils identified that auditing of accounting data resulted in lower unexpected differences compared with unaudited items. The project performance data as opposed to the financial performance data reported in the Annual Reports was wholly unaudited. This could allow for greater levels of gaming when reporting project performance. In both international and Australian government organisations negativity bias has been shown to affect accurate self-reporting through various mechanisms including concealing or fabricating results and manipulating targets.

Table 2. Number of NSW Council Annual Reports used in the data analysis (Source: Authors).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Metropolitan** | **Metropolitan Fringe** | **Regional Town/City** | **Rural** | **Large Rural** | **Total** |
| Number | 14 | 5 | 8 | 1 | 12 | **40** |

The 88 Annual Reports that were not used either reported on projects at a program level and focussed on budgetary figures, most often mentioning a small number of key projects that were successfully delivered or did not report on all projects. From the Annual Reports considered to have sufficient information, the project success measure was determined by counting the number of overall projects and the number of projects completed to calculate a percentage of successful projects.

5 Results

# *5.1 Project Success*

The NSW average of successful projects was calculated at 68% with a standard deviation of ±17% for the period 2014/15 – 2018/19. Figure 2 shows the final success measure for each of the five OLG NSW categories.

Figure 2. Average success measure as a percentage for each category (Source: Authors)

Figure 2 here

As seen in Figure 2 the averages ranged from 76% to 66% with two categories, Regional Town and Large Rural reported lower than average success percentages. The Large Rural category recorded both the highest (100%) and lowest (28%) individual scores. Whilst the Rural category had the highest average score, only one Annual Report had the information required which may mean the true project success measure for that category was not captured.

The average number of projects reported against was 139 of which the lowest number of projects reported was nine and the highest was 371. Nine councils did not report individually on projects and a percentage figure for project success was stated and used in the results.

For Metropolitan and Metropolitan Fringe both had an average of over 1,000 FTEs (1,058 and 1,294 respectively), with Rural having an average less than 100 (89). The OLG categories with larger organisational size also had higher total revenue. The distribution of revenue and size for the OLG categories is shown in Figure 3.

Figure 3. Average employee FTE and average total revenue for each OLG NSW category (Source: Authors)

Figure 3 here

Metropolitan Fringe had the highest FTE, as these councils tend to have one populous major centre, similar to a Metropolitan council, but also several smaller satellite centres. Thus, they may be considered to be a blend of the characteristics of Metropolitan and the Rural/Regional categories. The metropolitan categories also service a much larger population necessitating more staff. For example, the number of new developments which must be assessed and inspected is much greater in the metropolitan categories. Regional Towns are similar to Metropolitan Fringe with regard to satellite centres, but with a much lower service population.

After calculating the figures for the three variables, average project success, average organisational revenue and average organisational size, a correlation analysis was undertaken. In terms of project success and organisational size no correlation was found. In this case the size of the council did not determine the project success level. With regards to project success and organisational revenue a negative minor correlation was found. This means that those councils with lower revenue were slightly more likely to have higher project success than those with higher revenue.

6 Discussion

A number of categorisation systems for NSW councils have been developed over the years by both the State and Federal government. The systems attempt to recognize the significant variation in council characteristics so that comparisons are only made with similar councils. The former annual publication CINSWLG is one such example of comparative data being used in this way. Turning to project performance reporting, the expected variation between the categories is not present. The average reported project success level was 68% ±17%, which is a relatively high success rate although there is a significant deviation amongst the 40 councils. Much of the data generally used to determine project success such as expenditure against budget has not been reported.

The relationship between projects and operational services is not being reported under the current mechanisms. Poor project delivery can result in greater operational costs yet project performance is self-reported and unlike financial results is not independently audited. In the event that a prescriptive measure was given it would be unfeasible to audit each project undertaken within NSW local government. The self-reporting nature has led to selective presentation of project performance which can be considered a form of gaming. The majority of councils (69%) did not present sufficient information in their Annual Reports to make an assessment of project performance. Instead, the councils selected a few successful projects of significant cost which were described in detail.

Projects were also hidden within operational programs with vague descriptors such as ‘on-going’ or ‘on-track’. Councils made use of graphics to present organisational success and despite the fact that projects were due for completion, in most cases an ‘on-track’ project was presented as a success. Of the remaining projects there was no consistency in how they were reported; none reported on adherence to project schedule, and the majority did not report on expenditure. In contrast financial data is required to be prepared to adopted standards and independently audited each year. This is in important difference between the information collected in relation to project performance. The result is consistent with previous studies which have shown government agencies report on performance in a selective manner and/or gaming to present the organisation in the best possible way.

Performance reporting has in the past been used to justify amalgamations of NSW councils. The results of this research do not support the arguments that larger councils improve performance. No correlation was found between larger organisations and project performance and a minor negative correlation resulted when correlating total revenue and project performance. This adds to the existing body of empirical evidence supporting no economy of scale in NSW local government in relation to project performance reporting.

# *6.1 Mandatory Reporting*

Whilst there is no mandatory reporting requirement or process for projects, there are two areas related specifically to project reporting with which councils must currently comply. The two areas demonstrate that consistent project reporting can occur for NSW local government and what is currently reported can be expanded.

Firstly the Capital Expenditure Guidelines (OLG NSW, 2010) which are issued in accordance with the Local Government Act (1993), mandate councils to include in their Annual Report any projects “that are expected to cost in excess of 10% of councils annual ordinary rate revenue or $1 million, whichever is the greater” (OLG NSW, 2010, p.5). The guidelines do not prescribe the method of reporting only to state reporting “which is considered to be best practice” (OLG NSW, 2010, p.20). The ambiguity associated with the definition means that those councils which had a reportable project either reported the name only of the project, or the name and a short description. No success measures were reported.

The second area which requires mandated reporting by councils is where a Special Rate Variation (SRV) has been charged by a council. A SRV allows a council to charge additional land rates than otherwise allowed by the maximum allowable rate increase (OLG NSW, 2015a). An SRV does not have to be tied to a particular project or series of projects with funding often used by councils for capital works projects to reduce an infrastructure renewal backlog. Approval of an SRV requires councils to report the income obtained from the variation, the projects/activities funded, details of any changes, and the outcomes achieved (OLG NSW, 2015). The SRV requirements commonly resulted in councils reporting: original budget: revised budget: actual expenditure; and a short description of an outcome. For example outcomes were described in terms such as ‘fencing of old tip’ and ‘completion of 100 metre footpath’.

As discussed above council Annual Reports focused on achievements against the one-year OP as required by the IP&R framework. Despite the mandatory reporting requirements, progress and achievements against Key Performance Indicators (KPIs) continued to be inconsistently reported. Some councils used a traffic light system to report outcomes others used a three or five-level reporting system and others provided a description of progress/achievement. Greater consistency was found in the reporting of the audited financial statements which all conformed to Local Government Code of Accounting Practice and Financial Reporting (OLG NSW, 2020).

This study sought to determine how project success is being measured and reported by NSW local government and what the current success level of NSW local government projects is. The methods used by NSW councils to measure and report on projects is variable and inconsistent with only 40 out of 128 providing sufficient information to develop a project success percentage. Using the information available the average project success rate across five OLG NSW categories was calculated at 68% with a deviation of +17%.

Furthermore, the sought to determine if the economic theory for scale economies was supported. Based on the results economies of scale were not found for project performance when considered against either organisational size or total revenue.

7 Conclusion

Existing mandatory organisational performance reporting for NSW councils focuses on operational and financial results as a legacy of the NPM reforms. However the IP&R framework allows councils to follow post-NPM reforms, namely focusing on community engagement and transparent decision making. This has resulted in a combination of NPM and post-NPM whereby performance reporting is mandated but not explicit nor measurable. Furthermore, project delivery indirectly impacts both operational and financial results yet project performance reporting is not mandated, nor is there a prescribed method for doing so and all project performance reporting is self-reported. The self-reporting of project performance influences the results of this research in two ways. Firstly, the ad-hoc nature of project performance reporting resulted in variance in how and what was reported. Councils were able to present as much or as little information in relation to projects due to the lack of a specific format. Secondly self-reporting of project performance allowed bias to be introduced to present the organisation in the best possible way.

The result of this research does not support the argument to amalgamate NSW councils to improve performance based on the economic theory of economies of scale. The results are limited by the self-reporting nature and lack of data on all council projects. Further investigations are required to audit project performance results. As well as audited project results additional council characteristics such as population density or industrial growth could be included in further data correlations and provide opportunities for further research. Potential future research could also expand the study to areas outside of NSW local government, the area limited in the current study.

In order to determine a more robust result for project performance the authors recommend a standard reporting method with sufficient information for all of NSW local government projects. This would also assist with increasing the usefulness and application of performance reporting (Ammons and Rivenbark, 2008). Whilst standard reporting would be in line with NPM it would also lead to greater transparency which is a key tenet of post-NPM reforms. It should be noted that mandatory project reporting is currently required in two specific cases. The authors recommend expanding these reports to include more projects by lowering and adjusting the existing criteria and requiring an associated prescribed reporting method. Similarly, variable project performance reporting in other states, territories and countries could also benefit in the same way by applying a consistent method across all jurisdictions. Finally, the authors recommend a community survey be undertaken by the NSW State Government which could determine the usefulness of existing Annual Reports and provide a path for future improvements to performance reporting.

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**Figures**

Figure 1. Council categories within NSW, the north-western area (grey) is not a part of any local government (Source: adapted from NSW Local Government and Municipal (LGAM) Knowledge Base, n.d.)



 Figure 2. Average success measure as a percentage for each category (Source: Authors)

Figure 3. Average employee FTE and average total revenue for each OLG NSW category (Source: Authors)

