

Central Management of Local Performance: A Comparison of England and Korea

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Abstract

Since the 1980s, New Public Management (NPM) has deeply influenced the public sector across the world, and thus measuring or managing performance has become a principal element of government reform. In terms of borrowing models and techniques from the private sector, performance measurement has been significantly extended into government, but differences between the two sectors have led to difficulties and criticism of this practice with a wide inconsistent variety of different theoretical explanations about it. In this context, this thesis investigates the effectiveness of performance measurement and theoretical explanations of conditions for its success in the public sector. It focuses through a comparative methodology on Comprehensive Performance Assessment and Joint Performance Assessment that have recently been introduced between the levels of government in England and Korea for the improvement of local government performance and accountability.

Extensive analysis of literature and case studies have allowed the thesis to find firstly, that the introduction of such unique assessment systems, by which the centre assesses localities, was deeply affected by the environmental commonalities of both countries such as centralisation in inter-governmental relations and enthusiasm for NPM. Second, the empirical evaluation of both tools shows that they have in practice been valid for accurate assessment, and directly functional for improvement and indirectly for accountability to the public. Their high validity and functionality proved to be mainly attributable to two characteristics. One was institutionally that both frameworks were based on a balanced approach to performance and the disclosure of assessment results to the public for facilitating competition between localities. The other was that both had impacted on internal management of local government which led to change in organisational culture with more focus on performance. However, it identified a necessity for local authorities to participate in the development process of those tools to ensure legitimacy of central management of local performance since they enjoy their own electorally based political support. The research has also found the importance of assessors' expertise for accurate assessment and a possibility that performance measurement can contribute to the resolution of political tension and cooperation between central and local government when it focuses more on outcomes than input and process. A deeper theoretical and practical understanding of these successful experiences and important policy elements in contemporary public management contributes significantly to knowledge in the three settings of evaluation of policy instruments, comparison between countries and central-local relations. Finally, the study assists each country and others to draw lessons from each other.

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List of Abbreviations

AA	Assessment section of Activities and achievement
AC	Audit Commission
ACT	Assessment of Culture and Tourism
AE	Assessment of Environment management
AHW	Assessment of Health and social Welfare
ALA	Assessment of: Local Administration
ALE	Assessment of Local Economy
ANT	Assessment section of National-priority control Targets
APW	Assessment of Policy on Women
ARD	Assessment of Regional Development
AS	Assessment of Security for Life and Property
ASC	Assessment Section of Capacity
BSC	Balanced Scored Card
BV	Best Value
BVPI	Best Value Performance Indicators
BVPP	Best Value Performance Plan
BVR	Best Value Review
CA	Corporate Assessment
CAF	Common Assessment Framework
CCR	Current Capability Review
CCT	Compulsory Competitive Tendering
CGA	Committee for Government Activity Assessment
CIPFA	Chartered Institute of Public Finance and Accountancy
CPA	Comprehensive Performance Assessment
CSCI	Commission for Social Care Inspection
CYPP	Children and Young People Plan
DCLG	Department of Community and Local government
DOT	Direction of Travel
EFQM	European Foundations for Quality Management
GPE	Government Performance Evaluation
GPRA	Government Performance and Result Act
IdEA	Improvement and Development Agency
IGR	Inter-Governmental Relation

IMF	International Monetary Fund
ISO	International Organization for Standardization
JPA	Joint Performance Assessment
KFDA	Korea Food and Drug Administration
KLOA	Key Lines of Assessment
KLOE	Key Lines of Enquiry
Krila	Korea Research Institute for Local Administration
LAA	Local Area Agreement
LGA	Local Government Association
LGA 1999	Local Government Act 1999
LGA 2000	Local Government Act 2000
LGA 2003	Local Government Act 2003
LGMA	Local Government Modernisation Agenda
LPSA	Local Public Service Agreement
LSP	Local Strategic Partnership
MCST	Ministry of Culture, Sport and Tourism
MKE	Ministry of Knowledge Economy
MLTM	Ministry of Land, Transport and Maritime Affairs
MOGAHA	Ministry of Government Administration and Home Affairs
MOGE	Ministry of Gender Equity
MOPAS	Ministry of Public Administration and Security
MOSF	Ministry of Strategy and Finance
MW	Ministry of Health and welfare
NAO	National Audit Office
NEMA	National Emergency Management Agency
NPM	New Public Management
ODPM	Office of Deputy Prime Minister
OECD	Organisation for Economic Cooperation and Development
Ofsted	Office for Standards in Education
PI	Performance Indicator
PM	Performance Measure
PSA	Public Service Agreement
SA	Service Assessment
TQM	Total Quality Management
UOR	Use of Resource

Chapter 1. Introduction

1. The background of the research

Irrespective of their political and administrative systems, reform in the area of government has since the 1980s swept over many countries, such as the OECD countries and Western countries and still continues to do so (Bouckaert 1996b; Lane 1997; Pollitt and Bouckaert, 2004; Toonen, 2007). It has aimed to achieve a range of ends, such as making savings in public expenditure; improving quality of public services; making government or government policies more efficient and effective. It also facilitates such intermediate ends as the control of bureaucracy and reduction of bureaucratic constraints (Pollitt and Bouckaert, 2004: 6). It finally contributes to enhancing the accountability of government.

There has, in fact, been a long history of efforts to make better government and deliver better services in the public sector – historically, similar efforts have always been made by government. However, as Toonen (2007: 301) notices, since the 1980s ‘many countries have embarked upon a similar type of public sector reform’ generally known as ‘public management reform’ affected by or originating in the New Public Management (NPM). Pollitt and Bouckaert (2004: 24) also observe the international trend of NPM-type public management reform in more countries.

As far as the reason for this reform is concerned, there may be various factors. For example, Pollitt and Bouckaert (2004) indicate the factors that result in public management reform as socio-economic forces, socio-demographic change, new management ideas, pressure from citizens, and chance events. Osborne and Brown (2005) similarly argue that such factors have, since the late 20th century, conspired to create reform in government as global economic changes, NPM, demographic changes, and change in citizens’ expectation leading to change in political systems.

Most of all, governments in many the OECD and Western countries have been forced into a series of institutional and budgetary reform by the economic problems since the end of the 1970s (Pollitt, 1986; Wholey, 1999). Public organisations have not been able to depend on steadily incremental economic growth and thus had to focus on the efficient and effective use of increasingly scarce resources (Osborne and Brown, 2005: 4-5). During the 1990s and 2000s, the economic problems with other socio-

economic forces, such as globalisation and the population expansion of elderly people have accelerated reform in government (Pollitt and Bouckaert, 2004).

In addition, the political ideas known as NPM that have adapted many strategies and techniques from the business field have not only supported the socio-economic pressure for reform but also provided guidance on how to reform (Hood, 1991; Hoggett, 1991; Wilson, 2004). In order to improve public accountability, policy decision-making and management effectiveness, a wide range of remedies¹ for reform in the public sector has been provided by NPM (Wholey and Newcomer, 1997; de Bruijn, 2002; Wilson, 2004; Carmeli, 2006). These have converged on two main issues of the role of 'markets' and 'performance' in government (Wilson, 2004: 63) and the interest in performance has become 'a dominant force' in public management in the long-term trend of NPM, as Bouckaert and Halligan (2008: 1) observe.

In fact, performance, performance measurement or management have since the 1980s internationally become the core of public administration and management. According to a UK specialist, Talbot (1999: 15), 'the 1980s and especially the 1990s saw the rise and rise of "performance" as an issue in public sector theory and practice'. Similarly in the US, as Radin (2000: 168) observes, 'If there is a single theme that characterises the public sector in the 1990s, it is the demand for performance'. A Canadian, Thomas (2003: 1) also points out that 'performance measurement and performance reporting have become even more important within most governments'. Further, Ingraham et al. (2000: 54) argue that 'performance - high performance - must become a way of life and a critical part of the culture' in the public sector. Measuring and public reporting of performance are in practice widespread in many countries in the OECD countries, such as the UK, the USA, Canada, New Zealand, Australia and the Republic of Korea. As Pollitt and Bouckaert (2000) argue, performance measurement in the public sector has become more significant in three dimensions: 'more extended' towards a range of services and performance²; 'more intensive' towards being used in the setting of strategy and standards, and the linkage to incentives³; and 'more

¹ NPM generally focuses on customers, market-type transactions, managerial accountability, explicitly based on performance measurement (Wilson, 2004: 63). For the understanding of the characteristics of NPM, *see* Hood (1991: 4-5) and Pollitt (2003: 27).

² Performance has been measured in most public services, such as museums (Ughetto, 2006), police (De Vries, 2001), schools (Hoxby, 1999; Rubenstein et al., 2003), criminal justice and social programmes (Halachmi and Grant, 1996) and a range of other services, varying from rubbish collection to hospital treatments (Chartered Institute, 1990).

³ Performance movement has increased formalised planning, reporting and control across many governments (Levy, 2001; OECD, 2005b: 11).

externally' towards being for public consumption⁴. Furthermore, the performance movement in the public sector has changed the culture of public organisations as well as management skills and process as Bouckaert and Halligan (2008: 2) point out. For example, public organisations have converted to focus in terms of their performance on quality, output and outcome with the emphasis on customers rather than the traditional (legal, input and process) compliance control.

Since the Thatcher Government in 1979, the UK has been so keen on NPM-type reform in the public sector that it can be regarded as a leading country introducing and using performance measurement to improve the performance of public organisations. Examples such as the Next Steps and Public Service Agreement (PSA) in the UK central government have been matched by strong efforts for reform based on NPM in local government. For example, following Compulsory Competitive Tendering (CCT) during the Thatcher Government, the New Labour Government set the Local Government Modernisation Agenda (LGMA) in 1998 (DETR, 1998a), including Best Value (BV) and Local Public Service Agreement (LPSA) (chapter 4 and 5). In addition, as a new method to provide a rounded picture of local government performance, the Comprehensive Performance Assessment (CPA) was introduced in 2002. According to Pollitt and Bouckaert (2004), CPA was a result of efforts which the UK government has made on performance measurement to achieve improvement and ensure accountability in public services for nearly 25 years. CPA comprehensively measures how well local authorities are improving their capability and capacity, and delivering services for local people and communities. It combines a set of judgement of different aspects of councils' performance and categorises all councils into star rating, which allows citizens, councils and central government to easily understand the level of a council's performance and to compare it to others (AC, 2007b).

In Korea, there has also been strong demand to reform local as well as central government. Specifically, after the national financial (or exchange) crisis in 1997, strong pressure to totally reform the public sector was increased (chapter 7). NPM-type reform, which contains decentralization, downsizing and cutback, privatisation, and restructuring and innovation of organisational operating systems, was accordingly promoted all over the public sector by the government of the former President Kim Dae-Jung (1998-2002) (Ha and Jung, 2004). In this context, the Joint Performance

⁴ As National Audit Office (NAO) indicates (2001b), performance information enables people to participate in government and thus performance measurement has a role in 'empowering citizens' and 'improving accountability'.

Assessment (JPA), which is a similar framework to CPA, was introduced in 2000 to evaluate the performance of local government. JPA assesses how well local authorities are implementing policies and programmes delegated or funded by central government and thus delivering services for local people; and how well they are arranging their capacity. It combines a set of judgement of a range of local government performance, and finally provides league tables in nine assessments for comparison and competition between local authorities (MOGAHA, 2006a; b).

Both CPA and JPA can be regarded as NPM-type reforms that provide an emphasis on performance of government with strong use of performance measurement in the public sector. They have similar aims and structures: both principally aim to improve the performance of local government and enhance its accountability; and are carried out by central government and have similar performance measures (PMs) and processes (chapter 5 and 7). In addition, they are very unique, distinctive and exclusive performance measurement systems. On the one hand, this is because local government is assessed 'not by itself, but by central government' in both CPA and JPA. Performance measurement or management systems generally operate within certain organisations, although some of them might be commissioned to external professional agents or organisations by themselves. On the other hand, performance measurement systems similar to CPA and JPA are not easily found in other OECD countries that use a variety of PMs and measurement systems in the public sector (Game, 2006). In this sense, research into CPA and JPA is meaningful in order to understand why they have been uniquely introduced just in the two countries. A comparative study between them can further produce more general ideas about the advent and operation of such performance measurement systems in other countries.

Performance measurement in the public sector is often said to be more difficult than in the private sector, since performance in the area of government is considered as being more various and abstract. One strategy to introduce performance measurement systems into public organisations is consequently to use those in more tangible services (e.g., road cleaning or rubbish collection) which are relatively easy to measure and compare to others. Therefore, local government is often regarded as being more appropriate in measuring performance than central government, because it is closely related to service provision. In addition, there are so many local authorities in a country that their performance can be more easily compared to others' to provide useful performance information. For this reason, CPA and JPA may be seen as more

developed and advanced performance measurement systems in the public sector. The framework or approach of CPA has, in fact, been applied and used to assess other UK public organisations⁵ (chapter 9). In this sense, the analysis of the frameworks of CPA and JPA as a state-of-the-art performance measurement system in government can produce an understanding of what they comprise and how they are undertaken and used. Given that performance measurement in the public sector is more difficult and more likely to cause perverse effect than in the private sector (chapter 2), elements and factors for successful performance measurement in government can be identified.

In fact, performance measurement is a somewhat new and still expanding theme in both theory and practice, although performance measurement has become popular in the public sector (Bouckaert and Halligan, 2008: 12). Performance measurement systems that can accurately measure performance in the public sector have not been well developed yet, although a range of models have been developed or transferred from the private sector (e.g., BSC and EFQM). In addition to different concepts and views of performance, PMs and models, there is a large variety of argument on what good performance measurement is in the public sector because of its sector-specific characteristics compared to the private sector (chapter 2). As a result, there is, as ‘practitioner’ theories or ‘theories-in-use’ (Argyris and Schon, 1978), a need to measure performance more precisely and use performance measurement (and management) systems more appropriately in the public sector. In addition, there is a need for a range of research on performance measurement in the public sector from the perspective of theory, because a wide variety of studies about the topic have provided different explanations that are not consistent but somewhat separate and respective⁶. Talbot (2005: 508) argues as follows:

What is striking about most of the policy and practitioner, and even the academic, literature is the absence of theoretical justification for particular models of performance proposed.

In this sense, a study of performance measurement can help in measuring performance in the public sector more appropriately and precisely in practice and contribute to understanding performance measurement in theory.

⁵ According to AC (2006a: para. 36-37), CPA has been applied to the CCR of government departments by the Cabinet Office and the NAO’s reviews of regional development agencies.

⁶ With regards to performance measurement in the public sector, there are an ‘array of buzzwords...reinventing government, new public management, performance management, results-driven government, results-based budgeting, performance contracting, etc’ as Thomas (2004: 1) observes.

The value of research into CPA and JPA is also found in the functions of local government. Although it has smaller territory, powers and resources than central government, its importance to deliver public services to people is not less than that of central government. Services provided by local authorities are in fact closer to citizens' ordinary lives, and a wide range of public services of central government are also delivered through or via them. In addition, the existence of well-developed local government can, in itself, be regarded as being symbolic of 'good governance'. This is because the characteristics of 'good governance', such as citizen engagement, transparency, accountability, equality and equity, ethics, competence, effectiveness, sustainability and the rule of law (Bovaird and Löffler 2003: 322) are apparently similar to the value of local government. It is usually referred to responsiveness, participation, diversity, dispersing power, effectiveness and facilitating democracy (Chandler, 2001: 8; Wilson and Game, 2002: 37). There is accordingly much pressure on local government as well as central government to accomplish 'good governance'. As Bovaird and Löffler (2002: 9) note, a major set of initiatives to reform and modernise local government has continued throughout the world for several decades past in order to improve service delivery. In this sense, CPA and JPA are both strong means to reform or modernise local government in each country. Research into them will directly or indirectly be helpful to understand the reforms of local governments in both countries.

In this context, this present research aims to examine the reason why CPA and JPA have been peculiarly introduced by central government to manage local government performance; what characteristics they have as performance measurement systems in the public sector; and how they are in practice operating and what impacts they have made on the effectiveness of local government. This research agenda also opens up the possibility for policy learning either between sectors or between countries. As part of that process, it should be possible to identify avenues for future improvement as well as identifying areas of failure. The overall purpose is to contribute to the debate in productive reform.

2. The purpose, questions, theoretical basis and scope of the research

The purpose of this present research is to produce an accurate understanding and knowledge of CPA and JPA as an important aspect of performance measurement of government, by comparing their forms and processes, roles, functions and impacts. This

comparative research also analyses why CPA and JPA were introduced in England and Korea. Therefore, each history with background, aim and function, process, and performance indicators (PIs) and impact on local government of CPA and JPA is investigated. In addition, relevant fieldwork has been carried out via case studies to find out how each operated in practice and what impact they had on local government. Further, more desirable measurement systems or frameworks for performance measurement in the public sector as well as for the developments of CPA and JPA will be discussed and suggested.

In sum, the fundamental questions of the research are classified in four categories as follows:

1. Why and how CPA and JPA as a performance measurement system of local government by central government were introduced in England and Korea respectively.
2. What models of performance measurement has been adopted in the UK and Korean. This includes identifying the main features of the models and their suitability for application in the public sector.
3. How CPA and JPA in practice function in local government in the light of the conditions of good performance measurement in the public sector.
4. How both can be further developed towards good performance measurement systems in the public sector.

Research in social science disciplines, such as Politics and Public Administration can be identified by its aim and purpose into two categories: theoretical or academic; and practical or applied research⁷ (Hakim, 1987: 5-6; Hall and Hall, 1996: 10-11). The former tends to focus on causal-result relations, theory testing or building, and examination of variables, whereas the latter might be related to problem solving and policy reviewing. The comparative research of social phenomena, which is used as methodology in this thesis, is also undertaken for these two reasons as Brans (2007: 269) observes. In short, the present research is close to practical research, but has some characteristics of academic research.

First, this research can contribute to the theoretical or logical explanation of the advent of performance measurement systems of local government operated by central

⁷ Theoretical research principally involves the provision of knowledge for better understanding of social phenomena or problems, while practical research concerns that of knowledge for action to improve the world.

government through the methodology of comparison. The possibility of adoption or adaptation of CPA and JPA into other countries can be explored or anticipated. Finding out certain common politico-administrative contexts or environmental situations related to the introductions of CPA and JPA will help in identifying the rationales for reform and the drivers of the process. In addition, if both CPA and JPA are successful to measure and thus improve performance, the common conditions that resulted in their introductions might essentially become the pre-demanded conditions that have to be made for their application in other countries.

Second, this study seeks to find ways to improve both frameworks and more generally performance measurement in the public sector in order to deliver better quality public services. Empirical fieldwork and literature review of what frameworks they have and how they operate is expected to contribute to the developments and evolution of CPA and JPA in terms of the theoretical and practical point of view. On the one hand, this can in practice contribute to how to develop CPA and JPA as a more sophisticated performance measurement system in terms of finding their weakness and suggesting alternatives. On the other hand, the empirical review of whether CPA and JPA are in practice successful or unsuccessful can theoretically contribute to the development of discussion about the conditions for desirable performance measurement systems in the public sector which have been broadly discussed between scholars. As seen above, there are a broad range of PMs and measurement models used in the public sector and a wide variety of argument based on different studies and research of performance measurement in the same sector. Therefore, comparative and empirical research like this present research is expected to contribute to the theoretical development of performance measurement in the public sector. In addition, there have not been many separate empirical studies relating to CPA and JPA in each country because their histories are relatively short. This comparative study can thus contribute to the research accumulation related to CPA and JPA.

In sum, this comparative research between CPA and JPA contributes to improving performance measurement in the public sector in both theory and reality. This study is expected to produce implications for desirable and effective performance assessment tools of public organisations, and contribute to accumulated research into performance measurement in the public sector.

CPA and JPA are both a kind of performance measurement systems in the public sector. This study accordingly starts with the investigation of performance measurement

and the analysis of performance measurement systems in government. Following the history, concepts and characteristics of performance measurement in the public sector, this research particularly investigates how performance measurement functions; what kinds of measurement models are used; and what good performance measurement systems are in place in the public sector.

Another theoretical basis for this research is the theory of accountability of government. One of the main aims of performance measurement in the public sector is to ensure accountability to the public. Therefore, the theory of accountability in the public sector will be researched in the context of the relationship between central and local government. This will show that the accountability of local government is particularly ensured in a two-way process in terms of CPA and JPA: accountable to central government and the public.

This study will also examine the powers and functions of local government and the relations between central and local government in England and Korea. This is useful to understand not only the frameworks of CPA and JPA but also their theoretical and practical introductory background. Therefore, the final relevant theory that is hereby discussed concerns the relationship between central and local government (or inter-government relations: IGRs). This is important because CPA and JPA can be regarded as indirect intervention methods or as control mechanisms of local government by central government. It is thus essential to know the practical state or form of IGR in England and Korea, in order to understand the roles and functions of CPA and JPA. In short, as a theoretical basis of the research, the exploration of theories around performance measurement in the public sector will be preceded by other theories, such as of accountability and IGRs.

The scope of this study is restricted to England in relation to CPA because it is carried out by the Audit Commission (AC) only in England, not Scotland, Wales and Northern Ireland which enjoy devolved arrangements. The scope of research of JPA, on the other hand, covers the whole of Korea. Therefore, the context and background of CPA or JPA, local government and IGR are examined within England and Korea. However, glimpses and references to the whole UK may be attempted as occasion calls. CPA and JPA have both been revised continuously since their first introductions and there are thus several versions of them. In this study, their latest versions were used as at 2007: the 2007 CPA framework which assessed the performance of local government in England in 2007 the result of which was published in 2008; and the 2006 JPA that

assessed performance in Korea in 2007 and published its result in 2007. Management reform is of course a continuous process and significant changes to both systems became effective in 2009. These changes are addressed in the concluding chapter (section 3.1) but have not been addressed in the body of the thesis. They are consistent with the conclusions of the thesis and in terms of pragmatic research design the 2007 systems have been researched.

3. The methodology of the study and research design

This present research compares CPA in England to JPA in Korea. As Hopkin (2002: 249) indicates, comparison or comparative methods have been broadly used across social sciences including Politics, and Public Administration or Public Management. Similarly, Brans (2007: 269) argues that comparison has long been acknowledged as the ‘very essence of the scientific method’ in political science in general and Public Administration in particular (*see* Almond and Powell, 1966; Verba, 1967; Lijphart, 1971; Pierre, 1995; Landman, 2000). During the 1950s and 1960s, comparative public administration was in fact at the heart of the study of Public Administration in, particularly, the USA for grand theory development, attempting broad and cross-cultural explanations, and classifying administrative systems around the world. This was also because in accordance with Development Administration, administrative technology was transferred or exported to the newly de-colonised world (this is referred to ‘direct coercive policy transfer’, *see* Evans, 2004). Since the 1990s, comparative public administration is being strongly used again in accordance with globalisation, which has contributed to the rapid spread of information and data between countries. Major policy diffusing institutions, such as the IMF, OECD, World Bank and United Nations have increased their efforts to collect public sector data since the late 1990s (Evans, 2004; Brans, 2007).

Comparative study or comparison in public administration or management has significant advantages in both theory and reality (Hammond, et. al., 1959). First, the methodology of comparison has contributed to social science as, specifically, a scientific method similar to controlled experiments in natural science which might otherwise be hardly possible in the social science field (Dahl, 1947: 11). An ideal way for social science to imitate controlled experiments in natural science might be to compare two societies that are similar or different in all other features except one. As a

result, comparative study can contribute to finding scientific principles and explaining social phenomena universally with greater generalisation in public administration and political science (Siffin, 1957: 16).

Second, it has also contributed to the improvement of the world in practice in terms of showing the best practices⁸. As seen in Brans' words (2007: 269), 'Compare or perish', comparative research has been strongly and importantly used in public administration for practical purposes. In terms of comparative research, a range of ideas about desirable public administration and the best practices have been broadly investigated and recommended⁹ (Heady, 1991: 5). This use of comparative study for improving practices is closely connected to 'policy transfer' as Evans (2004) observes. In fact, voluntary policy transfer or lesson-drawing frequently occurs as a method of evidence-based policy-making and negotiated policy transfer is often achieved by international organisations, even when direct coercive policy transfer was not attempted.

In sum, comparative public administration has three advantages as Brans (2007: 272) observes: producing meaningful typologies and classifications; theory testing and better understanding of certain administrative phenomena; and important lessons for studying the comparative dimensions of administrative reform. Therefore, as indicated previously, this present research can contribute to the development of performance measurement in the public sector in both theory and practice. It is finally expected to contribute to policy transfer or lesson-drawing (*see* Rose, 1991; 2005; Dolowitz and March, 1996, 2000; Evans, 2004).

In order to control intermediate variables and produce robust evidence for empirical experiments in the absence of a laboratory for social phenomena, cases for comparison are chosen according to a most similar or most different systems design, or replicated along the relationship between dependent and independent variables (Hopkin, 2002: 251). However, complex realities make it difficult to find a pair of cases to fit either of the methods mentioned above. More relaxed definitions are thus often used in Comparative Public Administration, such as the co-operative combination of the construction of classifications, typologies and contextual description (Derlien, 1992). Countries are generally used as nominal categories for describing public administration systems in comparative public administration, although comparison can be undertaken

⁸ However, there have been some problems in the methods of comparative public administration. *See* Heady (1979), Page (1995), Peters (1988), Brans (2007).

⁹ An example of this is the Scandinavian office of Ombudsman. It has been widely studied and in numerous instances transplanted in Western Europe, the United States, countries of the British Commonwealth, Japan, and some of the new states (Heady, 1991: 5).

in different dimensions¹⁰ (Peters, 1988: 4-5). Other variants are secondary analyses based on previous studies and single case studies, which also provide useful contextual description for classification and theory testing (Peters, 1988, Brans, 2007). According to Yin (1989: 4), case studies contribute uniquely to understanding of individual, organisational, social and political phenomena. Hakim (1987: 69-70) also argues, case studies are a useful method in designing research on organisations and institutions in both the private and public sectors as well as on policy implementation and evaluation.

In this sense, this research does not compare the whole public administration systems, but CPA and JPA as case studies between the UK and Korea which are generally considered as being quite different countries. There may apparently be some common points between them because Korea has rapidly developed its democracy and economy. However, the UK seems quite different from Korea in a diverse range of aspects from history and tradition to politics, economy and culture. For example, the former has traditionally had minimal statism and the demands of civil society have been well reflected in public policies, based on the Parliamentary system. By contrast, it is regarded that based on the Presidential system, Korea has had a strong state and its civil society has not been sufficiently developed (Ha, 2001; Ko, 2008). As a result, this study begins with the assumption of ‘a most different systems design’ to find the commonalities or similarities that resulted in the introduction of CPA and JPA.

The objects of comparison – what are to be compared - are also important so that a set of research questions and a set of categories which can be used for comparison have to be developed. Comparativists have different views¹¹ as to which variables to include in Comparative Public Administration. For example, structure, purposes and the environment are presented by Hammond, et al. (1959); the environment, bureaucracy and organisational setting by Heady (1979, 1991); and intra-organisational dynamics, politico-administrative relations, and the relations between administration and civil society by Pierre (1995). In sum, there are commonly found three variables to be compared: political and cultural environment surrounding public administration; organisational setting; and bureaucracy or bureaucratic behaviour. One thing to be emphasised in comparative studies is that not only formal or institutional aspects, such as institutions and environment but also informal aspects of formal institutions and organisations strongly need to be compared (Hammond, et al., 1959: 10).

¹⁰ Peters (1988: 4-5) suggests four types of comparison of administrative systems: cross-national; cross-time comparisons; cross-level; and cross-policy comparisons.

¹¹ See, Hammond, et al. (1959), Sigelman (1976), Heady (1979), Aberbach and Rockman (1987), Peters (1988), Pierre (1995), Maor and Lane (1999) and Tummala (2000).

Based on these variables to be compared, this research employs three variables as subjects for comparison (table 1-1): (1) contexts which might have resulted in the advents of CPA in England and JPA in Korea; (2) their formal aspects or frameworks; (3) and their practical aspects or how they are in practice working.

Table 1-1. The framework of comparison between CPA and JPA in the research

Subjects for comparison	Detailed factors for comparison between CPA and JPA
Context	<ul style="list-style-type: none"> • General forms of local government, such as power, function, finance and independence • The relations between central and local government • The environmental backgrounds of the advents of CPA and JPA, such as political and social situations
Formal aspects	<p>The formal frameworks of CPA and JPA as a performance measurement model</p> <ul style="list-style-type: none"> - aims - assessors - PMs and process - grading and publishing - incentives
Practical aspects	<p>How CPA and JPA are working well in practice and reality is examined in the terms of three conditions of good performance measurement systems in the public sector:</p> <ul style="list-style-type: none"> - validity - legitimacy - functionality

First, ‘contexts’ can be regarded as independent variables which may reveal the reason why CPA and JPA were introduced. In this sense, the introductions of CPA and JPA can be considered as dependent variables. In addition to political, economical and social environment surrounding public administration, the contexts can be further detailed as the relations between central and local government. This is because CPA and JPA are all performance measurement systems of local government not by themselves but by central government.

Second, as such variables as ‘organisational structures and purposes’ generally used in Comparative Public Administration, formal aspects or frameworks of CPA and JPA are in detail compared to show what particular characteristics they have. Therefore, they are compared in terms of their formal aspects (e.g., aims, PMs, process, grading and publishing and incentives) and consistency with an accepted model.

Third, ‘behaviour’ is also transformed into the practical aspects of CPA and JPA. Practical or informal aspects of CPA and JPA are thus compared to how they are in

practice working and how they in reality function in local government in the light of the conditions for good performance measurement in the public sector. This can contribute to the acquisition of fundamental and practical facts about how CPA and JPA are operating in their fields. In the comparison of practical or informal aspects, three conditions of ‘validity, legitimacy and functionality’ suggested by Bouckaert (1993) are used as the standards of assessment of how they are working in practice. These comparisons of their formal frameworks and informal aspects can contribute not only to their developments towards good performance measurement systems in the public sector, but also general discussion about performance measurement most suitable for government in a wider sense.

Although comparative methods are broadly used in social science, they do not have their own particular methods and are thus carried out through quantitative or qualitative approaches in general. Therefore, arguments around the characteristics and advantages of quantitative and qualitative approaches are likely to be applied to those in comparative methods¹² (Hopkin, 2002). In short, quantitative comparative studies (with often ‘large numbers’) are regarded as being more analytic, attempting to abstract particular phenomena from their context so as to compare them across cases, while qualitative research (with often ‘small numbers’) investigates those in their contexts, looking at the cases as wholes (Ragin, 1987). This thesis is based on a qualitative methodology and thus uses no statistical packages for analysis. The analysis of qualitative data can be ‘systematic and rigorous’ as Calvert (2008: 4) points out.

First, data for the comparison of formal frameworks between CPA and JPA have been collected from many sources, for example, academic journals, newspapers and, mainly, government-issued documents from the AC in England and MOPAS (Ministry of Public Administration and Security) in Korea. The AC which is responsible for CPA has published many official documents and consultative documents as regards CPA and MOPAS which is for JPA also has done the same. Second, literature review or research review is regarded as a basic means of collecting comprehensive evidence and the first step in any research (Hakim, 1987: 17) and thus previous research has to be critically taken into account in the new research project (Gill and Johnson, 1997: 20-21). The literatures of previous research of CPA and JPA have therefore been broadly reviewed to help the analysis of their formal frameworks and informal aspects. A diverse range of academic journals and books in both countries was used for a literature review or

¹² Both have some advantages and disadvantages so that they can be used complementary rather than rivalry (*see* Creswell, 1994 and De Vaus, 2001).

research review of CPA and JPA in this study. Third, in order to obtain empirical data that show how CPA and JPA are working in practice, a qualitative approach have been adopted in this research as a form of case studies. They are both significantly complex measurement tools and so needed to analyse by in-depth approaches with deep interviews for understanding what impacts they have brought on local government, including perverse or dysfunctional effects.

Two case studies in England have been completed in Bristol City and Devon County Council selected from among 150 single and upper tier councils in England. For the representiveness of case study samples, they were chosen on purpose among several councils located in the Southwest of England. Bristol is a typical single-tier council just as most unitary local authorities are placed in urban areas, while Devon is regarded as a typical upper-tier council as most county councils are located in the country. In addition, in order to collect more generalised information about how CPA is operating in local government, some interviews are undertaken in the Local Government Association (LGA) and the AC. The former is the national representative of local authorities and the latter is the agency responsible for CPA and undertakes the assessment of local government in practice.

In relation to JPA in Korea, two case studies are also undertaken in Daegu Metropolitan City and Chungcheongbuk-do (Chungbuk) Province. They are chosen on purpose as representative local authorities, in the aspects of population, economy and even geography¹³. Daegu is located in the middle of seven metropolitan cities and Chungbuk is the same of nine Provinces. The case studies in Korea are also complemented with several interviews with staff in MOPAS and Korean Research Institution of Local Administration (Krila). MOPAS is formally responsible for JPA and Krila has closely participated in the development and implementation of the JPA framework.

Interview samples are also important for collecting accurate information and sound generalisation (Hall and Hall, 1996: 107). For this reason, interviews were conducted

¹³ The population in Korea is dense in the area of the capital: Seoul Metropolitan City has a population of over 10 mn in 2008 and Gyeonggi-do Province surrounding Seoul also has one of over 11 mn. Other upper local authorities are relatively even ranging from 1 to 3 mn in 2008 excluding Jeju Province (0.6): Ulsan (1.1), Gwangju (1.4), Daejeon (1.5), **Daegu (2.5)**, Incheon (2.6) and Busan (3.5) as metropolitan cities; Gangwon (1.5), **Chungbuk (1.5)**, Jeonbuk (1.7), Joensuu (1.8), Gyeongbuk (2.6), Gyeongnam (3.1) as Provinces. As an indicator for economy, the proportion of local financing by local tax, fee and charge (%) in 2008 are Seoul (90.5), Busan (62.9), **Daegu (63.9)**, Incheon (69.8), Gwangju (54.2), Daejeon (72.1), Ulsan (68.4), Gyeonggi (74.9), Gangwon (28.3), **Chungbuk (33.3)**, Chungnam (36.9), Jeonbuk (23.5), Jeonnam (20.1), Gyeongbuk (28.9), Gyeongnam (39.1) and Jeju (26.4).

with those who are involved with CPA and JPA in local government as well as in other relevant organisations. The grades or status of local officers are various ranging from senior managers (such as heads of departments and general directors), or middle managers (such as directors and deputy directors) to staff-members preparing reports for CPA or JPA. In addition, there are some councillors and other professional experts, such as consultants in the English LGA and researchers in Korean Krila. Some officers and civil servants of central government are also interviewed in the AC and MOPAS. The details of interviewees are shown in table 1 (in England) and 2 (in Korea) in Appendix.

Each face to face interview with 20 people in England (9 in Bristol, 7 in Devon, 2 in the LGA, 2 in the AC) took approximately one to one and half hours and some interviewees became frequent e-mail correspondents. Interviews by telephone with 24 people in Korea (8 in Daegu, 11 in Chungbuk, 3 in MOPAS, 2 in Krila) took half one hour to one hour (but, two specialists of Krila were interviewed in face to face for two hours). All interviewees sent e-mails which included more detailed information and this can supplement the flaws of the interviews which may happen because of conducting by telephone. In addition, the interviews in Korea were more systematic because they were arranged by the author's colleagues working for Daegu, Chungbuk and MOPAS. His experience in working in MOPAS for last 12 years has also complemented the interviews in terms of deepening understanding about JPA.

In all the case studies, a large amount of evidence was collected by semi-structured interviews¹⁴ and email. Therefore, interviewees were asked certain, major questions in the same way each time, which sequence was often altered to probe for more information (Bell, 1993: 93-94). A diverse range of documents and data were also collected through interviews and successive emailing.

One thing that should be emphasised in studies in social science is research ethics. According to Denscombe (2007: 141), social researchers are expected to respect the rights and dignity of participants in research; avoid any harm to them arising from their involvement; and conduct research with honesty and integrity. Although this present research is not directly related to human subjects but to the institutions of CPA and JPA, it still needs to be undertaken within research ethics in the collection of data, process of

¹⁴ As a method to collect data, Oppenheim (1999: 65) classifies interviews into exploratory (depth or free-style) and standardised interviews. May (1993: 92) distinguishes four types of interview: the structured, the unstructured (or focused), the semi-structured and the group interview. For details, *see* Bell (1993), Hall and Hall (1996) and Oppenheim (1996).

data analysis and dissemination of findings as long as it collects empirical data from interviewees. First, all interviewees voluntarily participated in the research according to their understanding of its aims. Second, the consent forms that explained about the research and included a question about the disclosure of their details were distributed and collected from all of the participants. Depending on their personal preferences, some interviewees are identified with their names but others remain anonymous in Appendix. Third, there might be a bias in relation to the analysis of data in the research because the author worked for the Korean government as a civil servant. However, it is clearly declared that he has consciously used the methodology of triangulation to ensure that all his knowledge is evidence-based and all data has been processed with his honesty and integrity as a Korean civil servant.

4. The structure of the research

This thesis consists of ten chapters, beginning with an introductory chapter. Chapter 2 mainly deals with performance measurement and covers the history, concepts, aims and models of performance measurement in the public sector. The similarities and differences of performance measurement between in the private and public sector are also dealt with. Most importantly, the perverse effects of performance measurement and its difficulties in the public sector are examined

Chapter 3 concerns how to develop appropriate performance measurement systems to address or overcome those dysfunctional outcomes and difficulties. Following the review of several models that have been widely used in the public sector, the conditions of good or desirable performance measurement systems is investigated. This theoretical knowledge and discussion about performance measurement and measurement systems in the public sector can be a tool for analysis of how robust and appropriate the frameworks of CPA and JPA are.

Chapter 4 begins with the brief research for general information about the status, function, power and finance of local government in each country. This helps in understanding how local government functions and what CPA and JPA assess. With theoretical review of IGRs, those in England and Korea are in practice examined. The relations between performance measurement and accountability are also reviewed in depth.

Chapter 5 is dedicated to the understanding of the CPA framework. For example, its genesis, aims, assessor and methodology are investigated through literature review. Case studies in chapter 6 will successively examine how CPA is working in practice, following the presentation of a necessity and framework for fieldwork. The synthesis of findings in literature analysis and the case studies draw a comprehensive conclusion of CPA about whether it has achieved its aims, how accurate and politically neutral its results and how valid, legitimate and functional it is.

Chapter 7 and 8 analyse the formal and informal aspects of JPA as is similar to previous two chapters regarding CPA. Therefore, following the investigation of its introductory backgrounds and formal framework in the former chapter, the latter chapter examines how JPA is operating in field. These two chapters also provide a comprehensive conclusion of JPA.

Chapter 9 systematically compares all the findings in previous four chapters. Commonalities between CPA and JPA can provide a deep understanding of their introduction, performance measurement in the public sector and their impacts on IGRs. Methodological differences and the roles of the AC and MOPAS will probably allow one to learn from the other. This chapter is the core of this research.

The final chapter summarises this research, emphasising all important findings and suggesting lessons for the development of CPA and JPA. It also provides some implications for further research in the future.

Chapter 2. Performance Measurement in the Public Sector

As reform in the public sector has been accelerated since the 1980s, the strongest concern has been placed on how to improve performance. Therefore, performance measurement has become a core issue in both theoretical and practical worlds as a key driver for reforming government, because it is the first step for performance improvement (Gianakis, 2002: 36). The rising emphasis on performance or performance measurement has been noticed by many intellectuals. For example, Talbot (1999: 15) notes, ‘the 1980s and especially the 1990s saw the rise and rise of “performance”’. Radin (2000: 168) observes, ‘performance became a mantra of the 1990s’. Similarly performance measurement becomes ‘a set of reinforcing rituals’ as Bovaird (1996: 161) points out or evolves ‘into an ideology’ in the words of Bouckaert and Halligan (2008: 29). In this sense, CPA and JPA were introduced in England and Korea respectively.

This chapter provides a basis of understanding CPA and JPA in terms of research about what performance measurement and its functions are in the public sector; how similarly or dissimilarly it can be applied between in the private and public sector; and how it contributes to accountability of public organisations. The analysis follows a short review of the historical development of performance measurement and the reason why it was introduced in the public sector.

1. The development of performance measurement in the public sector

1.1. The origin and history of performance measurement in the public sector

Performance measurement has been primarily developed in two closely linked countries (Halligan, 2003; Pollitt and Bouckaert, 2004): the USA and the UK. The former can be referred to the pioneer of the early experiments and significant developments in the 20th century, whereas the latter shows the evolution of performance measurement and management over several decades. However, discussions about performance in government have existed as long as government itself, because rulers have tried to give good reasons for their rule by showing how it is positive and beneficial to the ruled. Therefore, the elements of performance measurement have been used in the public sector for a considerable length of time (Gianakis, 2002: 37; Halachmi, 2005: 255). For example, the use of indicators in government can be found in

the 19th century¹⁵ in the UK (Hood, 2007). However, the fundamental introduction of performance measurement into the public sector was mostly the USA in origin and borrowed heavily from the private sector, such as in the scientific management movement in the early 20th century mainly inspired by Taylor (Lynch and Day, 1996: 406; Massey and Pyper, 2005: 136).

An example of measuring workload and worker efficiency in government was seen in the efforts of the New York Bureau of Municipal Research in 1912, which is often referred to more directly as the origin of performance measurement in government (Williams, 2003). The bureau argued for rational, scientific management principals based on measured workload in order to improve community services¹⁶, underlining problem-defining, data-collecting and standards-identifying for comparisons, and developed a budgetary system to demonstrate the performance of government, promote transparency, and thus hold politicians and civil servants more accountable (Kahn, 1997; Lynch and Day, 1996; Williams, 2003, Holzer and Kloby, 2005).

The most successful attempt to introduce performance measurement into government might be Planning Programming Budgeting (PPB) which was introduced in the US Department of Defence in 1961 in order to ensure central control for effectively using resources (Carter, et al., 1992; Poister, 2003; Massey and Pyper, 2005). The logics and objectives of PPB were as follows, and are very similar to those of performance measurement:

1. to define the objectives of policies in all major areas of government activity
2. to organise information about expenditure and use of resources in terms of the specific programmes designed to achieve these objectives.
3. to analyse the output of programmes so as to have some measurement of their effectiveness
4. to evaluate alternative ways of achieving the same policy objectives, and to achieve these objectives for the least cost
5. to formulate objectives and programmes over a period of years, and to provide feedback about the appropriateness and effectiveness of the methods chosen (Schultze, 1968: 19-23).

¹⁵ Hood (2007: 99) presents the origins of ‘management by numbers’ in the public sector by three types of measurement systems. First, target systems can be traced at Taylor’s approach to ‘scientific management’ by setting production quotas linked to individualised payment systems. Second, ranking systems can be traced back at Jeremy Bentham’s ‘tabular-comparison principle’ (league tables in modern language) in the late 18th C or international rankings of public services (e.g. international crime statistics by the General Statistical Congress held in Brussels in 1853). Third, intelligence systems for collecting data for managers or policy-makers dated from 18th C (e.g., measurement of forest production in scientific forestry, crime statistics in Britain from the mid 19th C).

¹⁶ The civic-oriented approach of the bureau’s municipal reformers was reflected in Burke’s (1912: 366) article on efficiency standards in municipal management as: ‘The primary purpose of a municipality is not to furnish occasional opportunities for casting ballots, revising charters, or recalling officials but to promote and protect the health, education, safety, convenience, and happiness of its citizens... efficiency standards must therefore be stated in terms of community service rather than in terms of ballot laws or charter powers’.

Not only did PPB aim to enhance the performance of government and to spend resources more efficiently, but was also able to support the power of top managers through the mechanism of accountability (Schick, 1969: 143; Carter, et al., 1992: 8). The same phenomenon as this can be supposed to be found in relation to performance measurement.

In Britain, during the 1960s there was a debate about devising new tools in order to make big government more manageable and more efficient, resulting in such documents as the Plowden Report 1961 and the Fulton Committee on the Civil Service 1968¹⁷. PPB was also imported into Britain: for example, a similar system in the Ministry of Defence and ‘output budgeting’ by the Treasury¹⁸ (Carter, et al., 1992: 9).

PPB caught the interest of various states and local governments in the USA in PMs, and thus they began to develop their management and budgeting systems with those PMs (Poister, 2003: 5). PPB re-appeared as a management attempt at rationality in the 1970s and 1980s, such as in the form of zero-based budgeting (ZBB) systems and management-by-objectives (MBO) (Greiling, 2005: 553). In addition, programme evaluation became widespread in the 1970s in the USA according to the need of assessment of social programmes in the public sector so that it encouraged government to track measures and monitor program performance (Suchman, 1967; Weiss, 1972; Rossi and Williams, 1972; Rossi, et al., 1979; Wholey, 1979). In Britain, PPB was replaced by Programme Analysis and Review (PAR) by the middle of the 1970s (Helco and Wildavsky, 1981). The need ‘for explicit statements of the objectives of expenditure in a way that would enable a Minister’s plans to be tested against general government strategy’ was still emphasised by the 1970 White Paper, ‘The Reorganisation of Central Government’ (Carter, et al., 1992: 9-10).

In the 1980s, performance measurement again became a topic in government. For example, through its first Financial Management Initiative (FMI) in 1982, The UK government introduced the monitoring of objectives and PIs covering efficiency and productivity for all government departments. The FMI included much development and

¹⁷ The Plowden Report gave birth to a new system of public expenditure control, and subsequently resulted in the publication of an annual Public Expenditure White Paper (Klein, 1989). The Fulton Committee on the Civil Service in 1966 resulted from the capacity deficit of the civil service in coping with the problems of modern government and the need for structural change to deal with this inability (Fulton, 1968).

¹⁸ PPB did not continue in either country beyond the mid-1970s. Schick (1969) points out the reason of this abandonment as: ‘PPB is an idea whose time has not quite come. It was introduced government wide before the requisite concepts, organisational capability, political conditions, informational resources and techniques were adequately developed’ (Schick, 1969:50)

application of performance measurement of objectives, output and performance. Its significant component was the use of PIs: by 1987, departments had 1,800 PIs (Cave, et al., 1990; Carter, et al., 1992; Pollitt, 1993). Bouckaert and Halligan (2008: 48) indicate that performance measurement became a 'growth industry' in the UK following the launching of FMI.

Performance measurement began to widespread to different levels of government and in several countries for the 1980s and 1990s (e.g., the UK, the USA, Canada and Australia), and the explanation would still be relevant (Lynch and Day, 1996: 409). For example, in Australia, a decentralised performance-based approach to financial management was adopted under two major governmental reforms in the 1980s: the Financial Management Improvement Program (FMIP) and Program Management and Budgeting (PMB)¹⁹. Government departments in Canada were required to measure and report on performance since the early 1970s by the Policy and Expenditure Management system (Schick, 1990).

In Britain, with the Next Steps Initiative that was introduced in 1988 as a new scheme following FMI, plenty of government activities were decentralised from Whitehall to lower levels and new agencies, providing more freedom and incentives for well-performing. Consequently, such a decentralisation of activity accompanied budgetary systems for the assurance of efficiency and effectiveness through measurement and monitoring with a range of PIs. Executive Agencies were required to report their performance against targets, which were set by ministers, covering the volume and quality services, financial performance and efficiency (the Treasury and Civil Service Committee, 1988). From 1990 key performance indicators (KPIs) for each agency were collected and published centrally in the Next Steps Review with detailed comparative analysis of agencies' results and even some benchmarking against private sector firms. Van Thiel and Pollitt (2007: 64) indicate the KPIs as the most prominent feature of the Next Steps reforms, because they were publicly reported. British local authorities were also encouraged to adopt PIs to reduce the rate of spending increases and to activate public opinion against wastefulness in their annual reports by central government (e.g., a Code of Practice in 1981 by the Department of Environment; 'Performance Review' in 1986 by the AC). The 1980 and 1988 Local government Acts which imposed CCT can also be seen as an early step towards a performance

¹⁹ This performance-based accountability system was established in exchange for increased spending flexibility. Australian officials can, for example, shift funds from staff to computers without Parliamentary concurrence; however, officials are more accountable for the performance of their programmes (Schick, 1990).

management culture, with emphasis on transparency of results and regular contract monitoring.

During the early 1990s, there was a strongly renewed emphasis on performance measurement in many countries, along with published works such as Osborne and Gaebler's 'Reinventing Government' in 1992 (Holzer and Kloby, 2005: 518). A number of approaches to reinforce the management capacity of public organisations for better services and results were attempted. These included the concept of strategic planning²⁰; the more encompassing idea of strategic management processes²¹; quality improvement programs and reengineering processes²²; benchmarking practices²³ and reformed budgeting processes²⁴. These management tools all required performance measurement systems to 'provide baseline data and evaluate effectiveness' (Poister, 2003: 7).

In the USA adopted the 1990 Chief Financial Officers Act for 'the systematic measurement of performance' and 'timely performance reports' and finally appeared the Government Performance and Result Act of 1993 (GPRA), which aimed to improve public confidence, federal management, program effectiveness and public accountability by promoting a focus on results, service quality, and customer satisfaction. This Act requires federal agencies and programmes to develop strategic planning and performance measurement systems (National Academy of Public Administration, 1997; Newcomer and Wright, 1996; Wholey and Newcomer, 1997; Long and Franklin, 2004). Schick (2001: 40, 43) asserts, public organisations will be 'transformed by measuring its performance. This is the logic of GPRA'. In 2002, a new 'Management Agenda' emphasising on integrating budget and performance was launched, with a focus on 'high quality outcome measures' (Office of Management and Budget, 2002). It has been subject to a 'simple, web-published, traffic-light based scorecard system' for every federal agency (Talbot, 2005: 493). In accordance with the federal government's policies, performance management and measurement were introduced in many US states and municipalities in practice²⁵ (Poister, 2003: 7-8).

²⁰ See Nutt and Backoff (1992), Bryson (1995) and Berry and Wechsler (1995).

²¹ See Steiss (1985), Eadie, (1989), Vinzant and Vinzant (1996), Koteen (1997), and Poister and Streib (1999).

²² See Cohen and Brand (1993), Davenport (1993), Hyde (1995), Kravchuck and Leighton (1993).

²³ See Bruder (1994), Walters (1994), Keehly et al. (1997).

²⁴ See Joyce (1993) and Lee (1997).

²⁵ A study by Melkers and Willoughby (1998) showed that the forms of performance-based budgeting were used in 47 state governments and their agencies. Municipally and at county level, some surveys and studies estimated that from 35% to 40% of municipal jurisdictions or counties had performance measurement systems in place, at least in selected departments or programme areas (GASB, 1997; Berman and Wang, 2000).

Through the 1990s and onwards, the use of performance measurement in British public sector has also been reinforced, and the role of performance measurement or indicators has become more important (Massey and Pyper, 2005: 134-135). For example, By the Citizen's Charter Programme that was introduced in 1991 and revised as 'Service First' in 1998, those parts of central government that directly deal with public services were required to publish, monitor and report against standards of service. With the advent of the New Labour from 1997, an important new steering tool, PSA for ministries and some cross-cutting areas was introduced²⁶ for the improvement of service delivery and the efficient and effective spending of public resources. This was an important control device for the Treasury through a series of quasi-contractual agreements between the Treasury and each ministry. Each PSA specifies the main policy objectives and sets quantitative targets, which would then be cascaded and disaggregated downwards to form agency targets. The role of PSA and use of PIs has been emphasised over again and²⁷ the shift to outcome measures and the link of objectives between ministries have been more stressed²⁸.

In relation to local government, BV launched by the 1999 Local Government Act made extensive use of PIs for target-setting and benchmarking as a means of improving public services. Its main aim was to ensure the accountability of local government through performance measurement to both residents and central government (Chapter 4). LPSAs and Beacon Status awards are other examples of performance measurement towards local government. The former were set up in 2001 as a voluntary agreement negotiated between a local authority and central government to improve the delivery of local public services by focusing on targeted outcomes with support from the centre. The latter initiated in 1998²⁹ highlighted excellence in certain service areas in local government for better service delivery. In addition, since the 1990s, a range of local initiatives to adopt various forms of performance measurement and management can also be seen in many local authorities in Britain (*see* Rashid, 1999)

Under the influence of NPM, performance measurement has been characterised as a global movement particularly in most OECD countries since the 1990s (Lane, 1997;

²⁶ It was proposed by the 1998 White Paper, 'Public services for the Future: Modernisation, Reform and Accountability'.

²⁷ See the 1999 white paper 'Modernising Government'; a Cabinet Office report 'the Wiring it Up' in 2000; or the Spending Review in 2000.

²⁸ According to James (2004), PSA has been some limited success, but targets do not reflect all important outcomes and have changed frequently, making the assessment of progress difficult (James, 2004: 415).

²⁹ See the white paper 'Modernising Local Government: in Touch with the People (1998).

Talbot, 1999; Radin, 2000; Gianakis, 2002; Bouckaert and Halligan, 2008). According to the Public Management Service (PUMA) of the OECD (OECD, 1990; 1993; 1997), a new ‘paradigm’ for public management was commonly developed in many Western and the OECD countries to encourage a performance-oriented culture in the public sector, despite differences in the nature, size and approach to public sector reforms³⁰. These trends continue ‘into the 2000s’ with no evidence that they are abating (*see* de Bruijn, 2002; Thomas, 2003; Talbot, 2005; Bouckaert and Halligan, 2008). Rather, as Bouckaert (1996a, 2004) points out, performance measurement has continued to be more extensive, more intensive and more external by the mid-1990s and again in the 2000s.

However, performance measurement has not been spread globally and evenly: some countries have largely opted-out or reluctantly subscribed to them whereas others have been positive with strong beliefs (Pollitt and Bouckaert, 2004; Talbot, 2005). Those polities which have been most active in adopting NPM-style reforms to which performance measurement is closely related are Anglo-Saxon and northern European countries (OECD, 1997; Pollitt, 2000; Pollitt and Bouckaert, 2000). Differentiated trends in performance measurement can also be found between these countries. For example, the UK, Australia, New Zealand, Sweden and the USA have adopted a largely top-down and comprehensive approach³¹; whilst others, such as Denmark, have adopted a more bottom-up and incremental approach; and others, such as Canada, Finland, France and the Netherlands, a more balanced one in which a top-down approach accompanied ad hoc and incremental or weak adoption (OECD, 1997). Some governments have emphasised the issues of outputs and service delivery (e.g., the UK and New Zealand) whereas others (e.g., Australia) have focused on outcomes and evaluation (Talbot, et al, 2001). In explaining international differences about the range of performance auditing, Barzelay (OECD, 1996) argues that such factors as the ‘influence of NPM, government structure, institutional design, and environmental factors’ can be distinguished. Similarly, Pollitt and Bouckaert (2004) argue that NPM adoption trends might apply equally to performance measurement.

³⁰ In the 1990s, three major trends in performance measurement can be identified in OECD countries as: efforts at measuring customer satisfaction and the use of indirect proxies; and lessening programme evaluation (MAB-MIAC, 1993, cited in Kouzmin, et al., 1999: 122).

³¹ The work of the OECD (1997) makes distinction between ‘top-down’ systems oriented primarily to accountability and control and ‘bottom-up’ systems with a greater concern for promoting improvements in performance.

In conclusion, a mixture of different aspects and focuses of performance measurement have been emphasised in accordance with every state context (Light, 1997), but as Talbot (2005: 493) points out, performance and performance measurement in some guise 'has remained a permanent feature' in the public sector in many countries.

1.2. The demand for performance measurement in the public sector and new public management

As far as the reason why performance measurement has become popular in many countries is concerned, some environmental changes in the late 20th century are often considered as driving reform in the public sector. They are global economic changes, demographic changes, political changes, changes in people's expectation and a consequent growth of NPM (Pollitt and Bouckaert, 2004; Osborne and Brown, 2005: 4-5). Most of all, Performance measurement in the public sector is a countermove to such external circumstances as economic and demographic changes. The slow growth of the economy meant less money available to government while public expenditure tended to increase in the Welfare State where particularly the ageing of population has been rapidly increased (demographic changes). As a result, public organisations has had to focus on the efficient use of increasingly scarce resources and show the evidence of the effectiveness of their activities or services in response to growing citizens' demands (Mcgough, 1993; Henkel, 1994; Wholey and Newcomer, 1997; Sanderson, 2001). In addition to this external pressure, there was internal pressure. Lapsley (1996: 110) indicates three other major strands to the emergence of performance measurement in UK public sector: the inefficiency of the public sector; the absence of managerial incentives and clear objectives; and a nation's dependency culture on the public purse. Sanderson (2001) and Hoggett (1996) both commented on such natural problems of government that the public sector was too bureaucratic, inefficient and inflexible, and thus sometimes operated by producers' interests rather than consumers'.

Although these environmental factors are generally considered as a set of drivers of reform in the public sector, this does not fully explain the reason why performance measurement has been more enthusiastically used for government reform than other methods. The important use of performance measurement was decisively influenced by NPM which began to analyse the contingencies of performance measurement. As Van de Walle and Van Dooren indicate (2006: 445), 'rather than just relying on performance

information for studying or reforming organisations, performance measurement systems themselves became an object of study’.

NPM or managerialism which is a trend³² from the 1980s related to government reform, started with efforts to surmount economic difficulties after the late 1970s, based on scepticism about the legitimacy of the Welfare State³³ or the competence of ‘big government’ (Lane and Ersson, 1994: 7-8). They also criticized traditional bureaucratic forms of government, pointing out its lack of flexibility and its operation by ‘producer’ interests (King, 1987; Pollitt, 1990; Sanderson, 2001). According to Sanderson (1996), the logic of NPM was one of two: one was ‘cutting the size of the public sector’ and the other was ‘increasing the efficiency of what was left’. NPM introduced into the public sector substantial programmes, such as privatisation, the introduction of competition, and attempts of responsiveness to users or customers, employing business-like (or quasi-markets) management and/or liberation management techniques with ‘a stronger focus on performance measurement’ (Sanderson, 2001: 297-298; Gianakis, 2002: 42; Hakvoort and Klaassen, 2007: 108). Since NPM tended to involve a shift of power to management for better performance, something had to be created in the public sector just as the private sector bottom line in order to achieve accountability to top managers, elected political officials and central government. As a result, performance measurement was strongly emphasised as a means for this by NPM (Greiling, 2005: 553). That is to say, performance measurement began to be used in the public sector in order to ensure accountability, efficiency and effectiveness (Hood, 1991: 4; Cunningham and Harris, 2001; Brun and Siegel, 2006: 481).

In fact, performance or performance measurement is regarded as ‘a key word’ or ‘central element’ of NPM³⁴ (Hood, 1991; Jackson, 1993; OECD, 1993; Gianakis, 2002; Pollitt, 2003). Bouckaert and Halligan, (2008: 13) clearly point out that ‘managing performance forms the core of public management, especially NPM’. Noordegraaf and

³² Pollitt (1993: 55-56) indicates three key themes in NPM: first, an emphasis on cutting cost and increasing productivity and efficiency; second, the decentralisation or devolution of management responsibility, especially in budgets; and lastly, the development of ‘neo-Taylorian’ practices, such as setting standards and targets through planning systems, performance measurement and performance-related payment and incentives for better performance.

³³ The notion of ‘rights’ to universal welfare provision based on a commitment to social justice was criticised, and the rationale of ‘intervention’ by government in economic and social affairs was also questioned by the New Right (Farnham and Horton, 1993). Focusing on ‘individual self-responsibility’, they demand to reduce the size and scope of the state, to regulate producer interests (bureaucraticism), and to increase the role of the market and private sector (Pollitt, 1993; Cutler and Waine, 1994).

³⁴ Hood (1991, 4-5) argues that NPM or managerialism consists of seven main points including ‘explicit standards and measure of performance’ Similarly, Pollitt (2003: 27) synthesizes various perspectives on NPM by eight key elements including ‘a shift towards more measurement, especially in the form of systems of ‘performance indicators’ and explicit ‘standards’.

Abma (2003: 854) similarly argue that ‘Trends such as ‘new public management’ (Hood 1991), ‘performance oriented management’ (Pollitt and Bouckaert, 2000) and the rise of the ‘audit society’ (Power 1997b) indicate that the world of public management has become, first and foremost, a world of measurement’.

In conclusion, performance measurement has considerably been adopted into the public sector, based on these three elements: the change of the environment, the avoidance of bureaucratism and assurance of accountability, and the impact of NPM. Amongst them, the first two are clearly shown in the following as Carter, et al. (1992: 10) argue:

Although the fashions in acronyms changed from decade to decade, there was remarkable stability over time in the concerns and the interests voicing them underlying the various attempts to bring new techniques into British Government. They can conveniently be analysed under three headings... (1) concern about public expenditure planning, (2) concern about the managerial competence of Whitehall, and (3) concern about accountability.

2. Performance and performance measurement in the public sector

2.1. Performance measurement

Despite the rapid generalisation of ‘performance measurement’ in the public sector, there is no universal agreement on this term in both the worlds of theory and practice (Argyris and Schon, 1978; Poister, 2003; Talbot, 2005). Talbot (2005: 508) argues, ‘there are numerous models of performance, but few come with any clear theoretical or empirical validation... [so that] literature is the absence of theoretical justification for particular models of performance proposed’³⁵. This is because performance measurement in the area of public management has been developed from the practice and profession of accountancy and thus seems often more akin to art as practitioners’ theories or ‘theories-in-use’ than science or academic theories (Argyris and Schon 1978; Carter, et al., 1992: 28). It is thus not easy to generalise usage of key terms related to performance measurement in the public sector.

According to Greiling (2006: 448-449), there are three definitions in the literature on performance measurement. First, in a narrow sense, it merely refers to the process of measurement, and thus is limited to ‘applying various techniques for generating performance data’. Second, it refers to ‘performance reporting’ as an accountability tool, such as PI-based league tables; annual reports to national audit offices; internal reports

³⁵ This aspect in the public sector contrasts strongly with the private sector in which there is a strong theoretical and empirical tradition (Neely and Waggoner, 1998).

by ministers to parliament; or PI-based reports to the person in a hierarchy. Third, as a steering instrument within the public sector, it is regarded as referring to performance management which generally ‘covers corporate management, performance information, evaluation, performance monitoring, assessment and performance reporting’ (Bouckaert and Halligan, 2008: 30).

The concept of performance measurement is generally accepted in a narrow sense in Greiling’s classification: ‘a process of measurement’. According to Poister (2003: 1), performance measurement refers to ‘the process of defining, monitoring, and using objective indicators of the performance of organisations and programs on regular basis.’ Thomas (2004: 1) similarly points out that it is ‘the regular generation, collection, analysis, reporting and utilisation of a range of data related to the operation of public organisations and public programs, including data on inputs, outputs and outcomes’. Bouckaert and Halligan (2008: 27) also define it as ‘systematically collecting data by observing and registering performance related issues for some performance related purpose’. In sum, the central idea of performance measurement is the measurement or assessment of results which an organisation produces, and the indication of how it achieves performance in the light of its objectives, processes, resources or clients. Performance measurement produces useful information for better performance through the process of defining missions and outcomes, setting performance standards, and measuring performance. In terms of reporting it finally holds people accountable for their results.

In reality, performance measurement systems, which are a kind of information or management systems, are a systematic tool for performance measurement with the activity of measurement with PMs (Bouckaert, 1993: 38). They are expected to answer such questions as what to measure, how to measure and what to do with collected data and thus basically consist of three blocks: performance or targets; standards; and rewards or penalties for achievement³⁶ (Otley, 1987; Poister, 2003: 33). In this system, most activities may happen as a cycle of the series of data collection and processing, analysis and consequent actions at regular time intervals. For performance measurement or in measurement systems, PMs which give an ‘index of achievement’ (Rashid, 1999: 20) are used and most of them are PIs that are figures collected to provide information about how well an organisation is performing (Stewart, 2003: 169).

³⁶ Poister (2003: 15-17) exemplifies performance measurement systems by four components: ‘general management’, ‘data’ (collection and processing), ‘analysis’ and ‘action’ (consequent action or decision making).

There are some similar concepts to performance measurement. For example, performance management often tends to be interchangeably used with performance measurement in reality and theory (Bovaird and Gregory, 1999; Blalock and Barnow, 2001; de Bruijn, 2002). However, the former is generally considered to be broader than the latter. Performance management has been identified as the management capacity of performance (Ingraham et al., 2003) and thus as one of several management processes alongside financial and human resources, and strategic management (Halligan, 2001). According to Armstrong (2000: 1), performance management is ‘a strategic and integrated process that delivers sustained success to organisations by improving the performance of the people who work in them and by developing the capabilities of individual contributors and teams’. Poister (2003: 12) also refers it to ‘the process of directing and controlling employees and work units in an organisation, and motivating them to perform at higher levels’. In practice, performance management is similarly referred as ‘a set of deliberate policies and practices designed to maintain or improve the performance of individual staff, and through them, work groups and organisations’ (People and Strategy, 2001: 3). In sum, it can be regarded as a set of ‘systematic efforts, initiatives and processes’ to enhance organisational performance (Davies , 1999: 151), which consists of ‘an integrated set of planning and review procedures which cascade down through the organisation to provide a link between each individual and the overall strategy of the organization’ (Rogers, 1990: 16). Therefore, as a management approach for the achievement of better performance, performance management might affect all areas of organisations (e.g., structure, process, human resources, techniques and even the environment) and their activities (e.g., policy and budget) (Bouckaert and Halligan, 2006).

As a result, performance management seems broader than performance measurement. However, performance measurement plays an important and even central role in the process of performance management, as seen in Kamensky and Morales’s view (2005: 4): ‘to manage for results, you start with measuring performance’. This is also shown in Bouckaert and Halligan’s question (2008: 13): ‘is it possible to envisage management in the public sector without due regard to the pursuit of results and the measurement performance?’ Reichard (1998: 123) asserts, ‘Performance measurement is the logical prerequisite of performance management’. In fact, performance measurement is a core of performance management and the latter can operate in close relation to the former (Bates, 1993; Bouckaert and Van Dooren, 2002). Whereas performance management focuses on using performance information effectively to

enhance performance, performance measurement is to obtain the necessary information to manage performance (Epstein, 1992; Poister and Streib, 1995; English and Lindquist, 1998; Armstrong and Baron 1998; Armstrong, 2000). The relation between performance measurement and performance management is clearly defined in the National Performance Review (1993, quoted in Blalock and Barnow 2001: 489) as follows:

The use of performance measurement to help set agreed-upon performance goals, allocate and prioritise resources, inform managers to either confirm or change current policy or program directions to meet these goals, and report on the success in meeting these goals.

Another example of similar concepts regarding performance measurement is performance information. This covers a broader range of information about performance and thus refers to any sort of data which tell us about it. Performance information can be derived from a variety of tools, such as audit, inspection, evaluation and reports, including performance measurement. Barrett (1997) argues that performance information is not only collected, but is also monitored and applied systematically in strategy creation, objective setting and other features. Performance measurement is thus only one small part of the process of gathering information about performance.

Performance monitoring, appraisal, review and assessment are broadly similar to performance measurement and thus often used interchangeably. In relation to the defining and collection of data on performance, performance monitoring refers to 'keeping track of inputs and outputs as a rudimentary form of evaluation' (Rashid, 1999: 20) and to the 'utilization of the data in management and decision making systems' (Poister, 2003: 3-4). Performance appraisal generally focuses on individuals so that it is usually carried out as part of interview between employees and their line managers (Rashid, 1999: 20; Rogers, 1990: 16). In addition, performance review refers rather to 'the comparison of actual results against the desired results' expressed as a standard of performance (Rashid, 1999: 20). According to Wilson and Game (2006: 360), when it is an organisation that is being evaluated, the term, 'performance review' is used, while when 'performance appraisal' is used for an individual.

One distinction, noticed by Stewart and Walsh (1994), is between performance measurement and assessment. They argue that performance assessment in the public sector is 'a judgement that has to be made politically'...(therefore) it is 'an exercise in practical wisdom not measurement' (ibid: 49). Since the aim of performance assessment is to acquire understanding of how successful performance has been, how it can be

improved and how it should be changed, the collection of all relevant information is required in performance assessment, after which it is possible for judgements to be made. Performance measurement is consequently part of this wider process and exists in the centre of performance assessment. This is because performance assessment seeks an understanding, related to subsequent judgements of the adequacy of a service or an organisation (e.g., impact, cost, quality and value), and this understanding can be appropriately acquired through performance measurement.

A similar term to performance measurement is evaluation or performance evaluation. However, the term 'evaluation' tends to be used more in relation to policy or programme evaluation³⁷, which is closely tied to ideas of rational planning in public policy, having been popular since the late 1960s and early 1970s. It generally refers to the means of 'determining the degree to which a program is producing its objectives, using available methods to give evidence that is objective, systematic and comprehensive' (Jenkins, 1978: 224). It is the 'traditional terrain of evaluation studies, an extremely well-developed and long-standing field' with a range of methods such as cost-benefit analysis, as Talbot (2005: 494) observes. Policy or programme evaluation usually refers to in-depth, special studies that not only examine its outcomes but also identify the 'whys' - the extent to which a programme actually caused the outcomes (known as causal linkages or attribution) (Dunn, 1994; Wholey, 1996; Davies, 1999; Power, 1997, US General Accounting Office, 1998). This kind of information is not usually provided in performance measurement (Hatry, 1999; Scheiver and Newcomer, 2001).

As Talbot (1999: 20) observes, there has traditionally been a 'bifurcation' between discussions of 'performance of policies' (policy analysis and evaluation) and 'performance of public services' (organisational performance). The latter focuses almost exclusively on one element- 'organisation' to the exclusion of the other groups of policy instruments. On the contrary, policy evaluation usually almost ignores organisational factors involved in policy delivery and focuses on how changes to policies on money and rules (and sometimes persuasion) deliver social change (or not).

³⁷ According to Dunn (1994: 404-414), policy evaluation, as contrasted with monitoring, 'concentrates on judgments' about the desirability of policies and programs; policy evaluation is 'oriented toward present and past outcomes' rather than future ones; policy evaluation has two interrelated aspects: the use of various methods and the application of some set of values to determine the worth of outcomes .

In short, while evaluation focuses on a policy or programme, performance measurement or management is highlighted in the light of an organisation³⁸.

In sum, although there are many concepts regarding performance measurement, there is, both academically and in practice, little agreement accepted generally and broadly on those, and thus they can be interchangeably used with no distinction. In fact, in the literature, the implicit equation of those concepts or terms is common practice without clarification between them (Bovaird and Gregory, 1996: 239; Bouckaert and Halligan, 2008: 30). In this thesis, therefore, the terms, performance measurement, management, assessment and even PMs or PIs are often used interchangeably excluding performance evaluation.

2.2. Performance in the public sector

Another difficulty is arising around what is performance, which has always ‘been an issue in government’ as Talbot (1999: 2) argues. This is related to an important question in performance measurement and management of ‘what is measured or managed?’ In addition, it is commonly used as prefatory to other activities, such as auditing and budgeting and more diffusely to improvement, orientation and trajectories (Pollitt and Bouckaert, 2004). However, performance, as Bovaird (1996: 147) indicates, is ‘not a unitary concept’ in the public sector where a range of stakeholders exist. Unlike in the private sector the performance of which the pursuit of profit characterises, performance consequently needs to be defined as a broad concept, having various meanings, for different stakeholders, in different contexts (Carter, 1991).

According to Talbot (2005: 494-495), there are three principal approaches (or uses) to the term, ‘performance’: focuses on the level of organisations, programmes and policies, and individuals. The term, performance, in the area of performance measurement and management is generally understood as the first approach – the organisational focus, while the second is mainly used in the field of policy/programme evaluation and the third forms part of the human resources management (HRM) research. In other words, performance measurement or management generally tend to be carried out in an organisational level.

³⁸ Performance measurement and in-depth programme evaluations can not replace each other, but be complementary in aspects of their weak points or limitations. *See* Guthrie and English (1997), Guthrie and English (1997), Hatry (1999), Perrin (1998), Davies (1999) and Mark et al. (2000).

In an organisational level in the both sector performance management literature, performance is commonly defined as ‘a tangible operationalisation of results’ of three Es, although it may be differently understood by a range of stakeholders in the public sector (Bouckaert and Halligan, 2008: 14). The three Es refer to economy (input/input), efficiency (input/output) and effectiveness (output/outcome) which are based upon a simple logic model of an organisation’s service provision (so-called IPOO model or input-process-output-outcome model: *see* chapter 3) (Palmer, 1993; Hood and Jackson 1991; Hatry, 1999; Talbot, 1999; Boland and Fowler, 2000).³⁹ Based on the three Es, the span of performance is often widespread to others such as productivity and cost-effectiveness.

Economy primarily concerns input and is thus defined as acquiring resources in appropriate quantity or at least cost (e.g., cost per case, cost per service type, numbers of staff involved). Input refers to resources required to produce output, such as physical (equipment, materials and time), human (staff and clients/cases), financial and even knowledge or information. Many measures commonly used in public organisations are based on derivatives of economy (or an input oriented perspective): for example, as expressed in terms of cost, budget and staffing totals in terms of comparisons made across similar types of organisations (Boland and Fowler, 2000: 419).

Efficiency involves not only input but also output and is thus defined as maximising output for a given set of input, or minimising input for a required output (e.g., cost per patient, staff-student ratios, and unit cost per refuse collection). Output means the activities, products or services of an organisation and can also be easily measured in quantifiable terms (e.g., patients treated, crimes solved, students gaining various qualifications at different grades, and children placed in foster care, the miles of road repaired). The terms ‘throughput’ and ‘intermediate output’ are frequently used instead of, or interchangeably with output.

Finally, Effectiveness involves the extent to which outputs meet organisational needs and requirements: ‘outcomes’. Outcomes⁴⁰ refer to the impact of service or an event, occurrence or condition that is outside the activity or programme (e.g., healthier or more knowledgeable individuals, and a safer society). Output represents what a

³⁹ They are usually composed of input, process, output and finally outcome or impact. Levitt and Joyce (1987) construct a hierarchy of output consisting of activities, throughput, and social consequences (or final output). Their ‘consequences’ are referred to as synonymous with ‘outcome’. Flynn (1986) classifies output more separately into intermediate output, throughput, output and outcome.

⁴⁰ Outcomes are often divided into two outcomes as intermediate and end outcomes (Hatry, 1999: 19). Intermediate outcomes usually are related to the particular way that the service is delivered by the programme, whereas end outcomes typically do not vary with the delivery approach.

program, in reality, produces, such as immediate products or services, whereas outcomes are the final results it delivers and thus more important to customers and the public. Usually output is under the control of an organisation, but outcomes tend to be influenced more strongly by a wider array of external factors beyond their control. This means that output is no guarantee that outcomes will realise in the public organisations which are surrounded by different stakeholders concerning different social needs and demanding a range of desired quality of output (e.g., in education, students, employers, the academic community and the government all have different expectations and demands) (Boland and Fowler, 2000: 420). In detail, Bouckaert and Halligan (2008: 17) argue that this disconnection is caused by such reasons as: an absence of (quasi-)market mechanisms; politicians that over- or under-grade outcomes; and citizens that inhibit the full attainment of outcomes because of their reactions⁴¹. The connections between output and outcomes are often more fluid than a simple dichotomy and so it is important to identify the real results targeted and the sequence of accomplishments achieved (Poister, 2003: 41).

Economy and efficiency are consistent with notions of financial accountability and so relatively simple to measure because they are usually measured by financial terms and data such as costs, volume of service and productivity (Palmer, 1993). Accounting systems, which mainly concerns economy and efficiency, have been long used for performance measurement because they appear to be reliable and consistent and because they mesh with the primary objective of creating profits in the private sector (Atkinson et al., 1997).

However, concentration on financial measures is unlikely to be adequate for strategic decision making even in the private sector (Atkinson et al., 1997) and the absence of profit in government might demand more adequate measures (Ghobadian and Ashworth, 1994; Midwinter, 1994). In this context, effectiveness can be more importantly used in particularly the public sector, since it is defined as the extent to which tasks are accomplished and can be consistent with notions of non-financial accountability (Jackson and Palmer, 1988; Palmer, 1993; Curristine, 2005). This is because it would be even worse if there were an efficiently functioning organisation or policy that was ineffective and deviated from its objectives. For this reason, Bouckaert and Halligan (2008: 17) argues that effectiveness is a 'primary dimension of

⁴¹ This is a so-called attribution problem: have the output of public services resulted in the desired outcomes and, if so, can these be attributed to the output? Attribution problems can also apply to other parts of the production process (see Hatry, 1999; Talbot, 2005 and de Lancer Julnes, 2006).

performance’, while efficiency or productivity is a secondary dimension. In practice, as Talbot (2005: 500) observes, the emphasis of effectiveness has recently emerged as a reaction to the ‘performance as efficiency’ in a form of ‘outcome based governance’, ‘outcome based budgeting’ (Molen, et. al., 2001) or ‘evidence based policy and practice’ (Davies, et. al, 2000).

However, effectiveness is much more difficult to assess than economy and efficiency, due to such problems as the inability to measure outcomes accurately, the difficulty in isolating the effects of services from other factors, the lack of quantifiability of outcomes and conflicting interpretations of results (Hasenfeld, 1983). Therefore, effectiveness may be partly measured in terms of ‘quality of service’, ‘customer satisfaction’ and ‘achievement of goals’. Effectiveness indicators may appear less often than efficiency indicators (Palmer, 1993; Pollitt, 1986; Carter, 1991) and thus this leads to the criticism that government authorities place too much emphasis on cost when measuring performance (Palmer, 1993).

In addition to the three Es, there are other suggestions for broader approaches to performance even in the private sector. For example, Fitzgerald et al. (1991) suggest that performance in service industries should be measured across six elements in the two dimensions of results and determinants. These are ‘competitiveness’ and ‘financial performance’ in the result dimension; ‘quality of service’, ‘flexibility’, ‘resource utilisation’ and ‘innovation’ in the determinants dimension. Similarly, Kaplan and Norton’s ‘balanced scorecard’ approach (1992) has achieved widespread recognition as measuring a range of aspects of performance. The balanced scorecard measures performance over four dimensions: a financial perspective, internal business perspective, customer perspective and innovation and learning perspective (chapter 3).

These broader approaches to performance can be more appropriately applied to the government sector where financial measures alone are insufficient to obtain a complete picture of performance (Ghobadian and Ashworth, 1994). As a result, performance in the public sector has often been regarded as ‘accountability’⁴², ‘user choice’⁴³, ‘customer service’⁴⁴, ‘resource allocation’⁴⁵, ‘creating public value’(e.g., equity,

⁴² See Normanton (1966), Light (1993) and Power (1997) regarding public organisations and Case (1995), Zadek, et al. (1997) and Bovens (1998) in the private sector.

⁴³ See Institute of Economic Affairs (1979), Self (1993), Flynn (2002) and Talbot (2005)

⁴⁴ See Hadley and Young (1991), Pirie (1991), Prime Minister and Chancellor of Lancaster (1991), Ayeni (2001); see also ‘quality movement’ such as Peters and Waterman (1982), Aguayo (1991), Oakland (1991), Dickens (1994), Gaster (1995), Joss (1995), Kirkpatrick and Martinez Lucio (1995), Pollitt and Bouckaert (1995); see ‘service delivery’ (Linden, 1994) and the Charter Mark regime (see chapter 2, examples of performance measurement models)

equality and probity)⁴⁶ and finally transparency, credibility or trust by citizens⁴⁷, as Talbot (2005) observes⁴⁸.

In conclusion, the span of performance⁴⁹ in the public sector is generally defined and used within the three Es. However, different spans of performance can be used for different purpose, since a diverse range of stakeholders act in the public sector. Therefore, what aspects of performance are measured in the public sector is an important topic for discussion in performance measurement.

2.3. The purposes and uses of performance measurement in the public sector

Performance measurement, generally speaking, helps managers and other stakeholders to assess organisations' performance and show their achievement and progress. Hatry (1978: 1) presents the necessity of performance measurement as a sport analogy: 'Unless you are keeping score, it is difficult to know whether you are winning or losing'. Osborne and Gaebler similarly state that 'if you don't measure results, you can't tell success from failure' (Osborne and Gaebler, 1992: 147), 'if you can't see success, you can't reward it' (ibid: 198) and 'if you can't recognise failure, you can't correct it' (ibid: 152). In other words, performance measurement is essential for letting managers know how well things are going along the way so that they can improve performance (Hatry, 1999: 3; Poister, 2003: 4).

In this context, a diverse range of the purposes and uses of performance measurement have been indicated by many commentators⁵⁰ in the public area. For example, it is generally pointed out that performance measurement is generally used as a means of management processes (e.g., evaluation and control), setting goals and objectives, planning and policy decision-making, resource allocation, employee motivation, legislative oversight and finally increasing accountability or public

⁴⁵ See the UK's PSAs (Chancellor of the Exchequer 1998), the USA's GPRA (Forsythe, 2000) and New Zealand reforms (Boston, et al 1996).

⁴⁶ See Clarke (1987), Stewart (1988), Moore (1995) and Ferlie, et al (1996).

⁴⁷ See Bouckaert and Van de Walle (2003), Van de Walle (2004), OECD (2005b) and Bouckaert and Halligan (2008).

⁴⁸ In practice, Boyne and Law (1991) identify twenty sorts of PIs in local government, which shows different aspects of performance, including financial and physical inputs, throughputs, output quantity, output quality, efficiency, effectiveness, equity, consumer satisfaction and citizen participation.

⁴⁹ In addition, Bouckaert and Halligan (2006; 2008) indicate that performance in the public sector has a 'depth'. While its span is horizontal from input to trust for different stakeholders, its depth is vertical for different levels of performance, such as a micro (single organisation), meso (substantive policy) or macro (government wide) layer of performance.

⁵⁰ See Wholey and Hatry (1992), Ammons (1995), Kravchuk and Schack (1996), Wholey and Newcomer (1997), Jackson (1988), Kopczynski and Lombardo (1999), Poister and Streib (1999), de Lancer Julnes and Holzer (2001), Wang (2002), Behn (2003), de Lancer Julnes (2006).

confidence. Hatry (1999: 157-158) synthesises these as ten usage of performance information: responding to elected officials' and the public's demands for accountability; making budget requests; carrying out internal budgeting; triggering in-depth examinations; motivating; contracting; evaluating; supporting strategic planning; communicating better with the public to build public trust; and improving overall. Behn (2003: 588) also presents eight purposes of performance measurement as the following table 2-1.

Table 2-1. Eight purposes that public managers have for measuring performance

Purposes	The public manager's question that the PM can help answer
Evaluate	How well is my public agency performing?
Control	How can I ensure that my subordinates are doing the right thing?
Budget	On what programmes, people, or projects should my agency spend the public's money?
Motivate	How can I motivate line staff, middle managers, non-profit and for-profit collaborators, stakeholders, and citizens to do the things necessary to improve performance?
Promote	How can I convince political superiors, legislators, stakeholders, journalists, and citizens that my agency is doing a good job?
Celebrate	What accomplishments are worthy of the important organisational ritual of celebrating success?
Learn	Why is what working or not working?
Improve	What exactly should who do differently to improve performance?

Source: adapted from Behn (2003: 588)

These various comments above on the purposes of performance measurement in public organisations can be summarised into two principal aims⁵¹: the improvement of performance and enhancement of accountability (Wholey and Newcomer, 1997; European Commission, 1997; HM Treasury, 1997; OECD, 1997; Osborne and Plastrik, 2000). Poister (2003: 4) clearly points out that in terms of performance measurement, public organisations can 'achieve their objectives or results, to improve overall performance, and thus to increase accountability'.

First, performance measurement aims at performance improvement. It is basically used to help organisations achieve objectives and improve performance terms of measurement and report (Atkinson et al., 1997; Barrett, 1997; de Bruijn, 2002; GAO, 2003). For this reason, performance measurement not only involves organisational management process (e.g., planning, monitoring and evaluation) or management

⁵¹ Bouckaert and Halligan (2006: 455) present three main objectives of performance management as (re-) allocation of resources, increase of performance, and enhancement of accountability. However, the first one can be included in the second. Noordegraaf and Abma (2003: 854) similarly point out that performance measurement contributes to '*transparent administration*' and '*effective administration*'.

control⁵². In addition, it can be used for such important organisational elements or process as strategies, plans, decision or policy making, budgeting, personnel, restructuring⁵³ and further learning⁵⁴ and innovation⁵⁵ (or reform). This is seen in the suggestion of the US Government Accounting and Standards Board:

[Performance measurement is] needed for setting goals and objectives, planning programmes, monitoring and evaluating the results to determine if they are making progress in achieving the established goals and objectives, and modifying program plans to enhance performance (Hatry et al., 1990: v).

A range of uses or function of performance measurement for performance improvement can be briefly understood by a classification by Kanter and Summers (1994: 230) between its managerial function for better management and technical function for finally better performance. The former involves around structure and process corrections and internal allocation, while the latter relates to providing information on efficiency or quality for better production and delivery.

Another important purpose of performance measurement and management is related to accountability in particularly the public sector⁵⁶. Ammons (1995: 37) indicates that performance measurement is considered as a means to enhance 'legislative oversight' and increase 'accountability' in the public sector. Different from private companies, public organisations exist on the basis of 'political, administrative and legal components' as Yang and Holzer (2006: 123) observe. Therefore, they all have to show and increase their accountability in political, administrative and legal aspects, which can be interpreted in a diverse range of ways. Performance measurement can contribute to increasing the accountability of public organisations by providing clear information to managers, politicians and the public, enabling them to judge how well public organisations are performing. For example, league tables, which are a typical form of the output of performance measurement, can contribute to the transparency of public organisations and ultimately to their accountability (Hood and

⁵² See Bruns (1993), Osborne and Plastrik (1997), Bovaird and Gregory (1996), Poister (2003) or Behn (2003), Lusk (2009).

⁵³ See Swiss (1992), Broere (2001), Joyce and Tompkins (2002), de Bruijn (2002), Poister (2003), Talbot (2005), and Bouckaert and Halligan (2008).

⁵⁴ See Rist (1994), Torres, et al. (1996), Atkinson et al. (1997), de Bruijn (2002), Poister (2003), Bouckaert and Halligan (2008)

⁵⁵ See Osborne and Gaebler (1992), Veld (1996), Osborne and Plastrik (1997), Yeung et al. (1999), Newman et al. (2000), de Bruijn (2002), Kamensky and Morales (2005), Bouckaert and Halligan (2008), Brannan, et al. (2008).

⁵⁶ In practice, there is a great deal of literature on performance measurement in government, and governments around the world have made large investments to develop performance measurement systems, frequently related to notions of accountability (see Thompson, 1995; Osborne et al., 1995, Hyndman and Anderson, 1995).

Heald, 2006). In this sense, the National Audit Office (NAO: 2001a: 1) apparently shows the final purpose of performance measurement in the public sector:

Good performance information [provided by performance measurement] can help Departments to develop policy, to manage their resources effectively, to improve Departmental and programme effectiveness and to report their performance to Parliament and the general public, so promoting accountability for public resources.

According to Kanter and Summers (1994: 230), performance measurement serves institutional function which revolves around ‘legitimacy renewal and resource attraction’ in relation to the environment of an organisation. Since it provides evidence that an organisation is meeting standards or engaging in activities, it can reaffirm such organisational constituencies’ decision to support the organisation, and encourage others to join them, as boards, volunteers and donors.

In conclusion, performance measurement primarily intends and is essentially used to improve performance and increase accountability in the public sector. This is a central element of effective management and in fact, performance measurement systems are introduced for these purposes in many public organisations (Epstein, 1992; Poister and Streib, 1995).

2.4. The perverse effects of performance measurement

Although it contributes to performance and accountability, excessive reliance on performance measurement may lead to ‘distorting and potentially dysfunctional consequences’, as Smith (1993: 138) points out. In other words, it can result in adverse or perverse effects to organisations whether they are in both the private and public sectors (de Bruijn, 2002; Poister, 2003; Wilson, 2004; Radin, 2006).

The perverse effects of performance measurement may arise in a diverse range of ways. According to Smith (1993: 140-149), some examples of these are concentration on certain areas or short-term issues included in performance measurement to the exclusion of other important areas or long-term criteria; pursuit of narrow objectives at the expense of strategic co-ordination; disinclination to experiment with new and innovative methods; altering behaviour to gain strategic advantage; and misrepresentation, including creative accounting and fraud. Talbot (2005: 504) argues that rewards and sanctions by performance measurement and measuring complex areas of professional practice may result in distorted behaviours and unintended consequences, encouraging a ‘culture of cynicism and amoral behaviour’. In other words, measuring and rewarding performance can lead to an improved ability of staff

members to play a game (Pollitt, 1989; Osborne and Gaebler, 1992; Osborne and Plastrik, 2000).

Most directly and seriously, they alter their behaviour to score points under performance measurement systems: for example, they may become more skilled in 'working the system' leading to soft targets being agreed and deliberately misreport their performance. This kind of gaming has been considerably found in practice: e.g., police's wiping a mass of petty crimes from records (The Guardian, 18. 3. 1999); the US FBI focusing on arresting light lawbreakers rather than serious crime (Wilson, 2000); NHS trusts' adjustment of patients numbers on waiting lists (NAO, 2001a); a patient becoming blind because her follow-up appointments were postponed by a hospital to achieve waiting time targets for new patients (PASC, 2003: 18); rising in exclusion of disruptive pupils resulted from measuring school performance on GCSE results (Financial Times, 22/06/03). Osborne and Plastrik (2000: 355) describe this dysfunction as: 'our worst centres are those that are number-driven – if the goal is 250..., you can be sure that they enrol 252'. Therefore, performance measurement may not show substantial performance, but the performance of performance (or the presentation of results). Furthermore, as MacIntyre (1984: 107) states, 'the most effective bureaucrat is the best actor'. As a result, it may also veil the real performance of an organisation (Sol, 1985).

Gaming for the presentation of the best possible picture may be principally caused by fear on the part of those being held accountable because of rewards or sanctions by performance measurement (Talbot, 2005: 504; de Lancer Julnes, 2006: 232). Therefore, the risk of gaming might be higher when performance measurement is externally carried out to an organisation (Bowerman and Hawksworth, 1999: 396-407; Bouckaert and Halligan, 2008: 168).

According to Hood (2006, 2007), there found three types of gaming in performance measurement: ratchet effect (targets are incrementally changed below the production frontier); threshold effect (targets give no incentive to the excellent ones and even encourages them to reduce their performance); and output distortion or the manipulation of reported results. Most of all, output/service-provision distortion or goal replacement is regarded as being serious harm to organisations. This can occur for two main reasons. The first is called 'targetology' (Rouse, 1993: 73) or 'tunnel vision' (Smith, 1993: 141-142) whereby certain areas focused by targets and PIs can neglect others and thus a narrow focus on specific targets can adversely affect other aspects of service delivery

(Harker, 2002). In addition, as Rushton and Dance (2002) argue, services easily measured (e.g., quantitative performance) tend to be given more attention in PMs. As a result, it is important that all core activities are measured to avoid skewing of service provision. The second occurs when targets cause staff to pursue certain ends at the expense of the stated purpose (Harker, 2002; Hirschman, 2002). For example, PIs which monitor the speed of delivery or number of cases could result in a reduced quality of service. PMs must not create the situation where clients are given priority due to targets rather than need. The danger of this occurring is increased where funding is 'incentive-based' or linked to performance.

Performance measurement is 'not an end in itself' but 'a means' to generate management information, as the AC (1999a: 6) asserts. However, it can become an end in itself (that is to say, goal displacement) and thus another adverse effect possibly occurs. If managers become preoccupied with targets, front-line workers would become bogged down with producing reports and collecting data, diverting attention away from service provision. The rigid control of those who receive regulation and monitoring for better measurement results can damage morale and potentially block ambitions, experimentation, flexibility, creation and innovation in organisations (Cave and Kogan, 1990; Walsh 1994; Kirkpatrick and Martinez-Lucio, 1995; Sanderson, 2001; Rushton and Dance, 2002; de Bruijn, 2002). Since staff-members or organisations have to follow targets in performance measurement for better assessment results, the invariable replication of the existing would be rewarded in organisations and the status quo is preferred to innovation which may cause unknown risks and side-effects (Behn and Kant, 1999: 474; Smith, 1993: 146-148). Competition in performance measurement may also prevent from sharing the 'best practices' between organisations or sub-sections in an organisation, which means more bureaucracy (Fiske and Ladd, 2000). In addition, ratchet effects also tend to prevent innovation, and this means the organisation meets success in measuring and rewarding at the expense of its ambitions (de Bruijn, 2002: 23).

In conclusion, the understanding of perverse consequences that may result from performance measurement is important to prevent or overcome those. For better performance and enhanced accountability, performance measurement has to be used and developed in the light of maximising its effectiveness and minimising or overcoming its possible perverse effects (Jackson, 1988: 15).

3. Performance measurement in the private and public sector

3.1. The criticism and scepticism of performance measurement in the public sector

Although there is an almost natural belief that performance can be improved in terms of ‘a focus on results in policy advice, central and departmental management processes, and parliamentary and public accountability’ (Curristine, 2005: 149), there are also criticism, scepticism and objection⁵⁷ regarding performance measurement in the area of government (Ammons 2002; Hatry, 2002; Bouckaert and Peters 2002; Talbot, 2005). First, according to those against performance measurement and management, rationality in politics or public administration is so unrealistic that their techniques or models are deficient and problematic (e.g. Rainey 1991; Pollitt 1993; Christensen and Længried, 2004). This is ultimately based on the idea that public policy and public management is totally different from private management. For example, it is often indicated that political conflict between different stakeholders in the public sector usually leads to negotiation and thus the goals of public policies and programmes are inherently vague or paradoxical between competing values (e.g., efficiency and competition vs. equity and universality) (Van de Walle, 2006). In a normative perspective, it is argued that public organisations should operate within democracy and *Rechtsstaat* (Kickert, 1997) and that public sector performance should basically concerns public value (Moor, 1995; Kane and Patapan, 2006).

This argument against rational approaches of performance measurement is deeply related to a much wider argument, which is represented by such terms as ‘incrementalism’, ‘muddling through’, ‘messy compromises’ against all attempts as rational planning, analysis and evaluation in public services (Talbot, 2005). Performance measurement may consequently produce partial information or be distorted by parties which conflict with each other in measurement regimes from target setting to audit and verification, as Talbot (2005: 505) argues. Complexity theory which argues that linear constructs do not reflect reality criticises that although implementation is perfect, there could be a ‘matching problem’ within contingencies that organisation are placed (Bouckaert and Halligan, 2008: 177).

⁵⁷ These critiques tend to be ‘tangential’ to a general opposition to NPM and managerialism (*see* March and Olsen 1979; Wilson 1989; Weick 1995; Cutler and Waine 1997; Marquand 2004; Talbot, 2005). Notions like transparency and effectiveness which are placed in the centre of NPM are consequently criticised (*see*, Moore 1995; Kickert 1997; Pollitt and Bouckaert, 2000).

The second critique is related to poor implementation of performance measurement in the public sector. Models for managing performance cannot be exported easily between the sectors (Schick 1998; Diamond and Khemani 2005; Radin 2006) so that there are not many proper tools for performance measurement in the public sector. According Dryzek (1990: 62), the requirement of rationalists for ‘clear, simple and uncontroversial goals’ and for unambiguous performance indicators is in empirical world likely to fail to recognise the existence of value disputes between different stakeholder or interest groups. In addition, there is a lack of agreement on how to measure performance in public sector (Bouckaert and Halligan, 2006: 444). As seen previously in chapter 2, there are a range of definitions or confusion around performance, performance measurement and management, and further these terms are often used without clear distinction (Bovaird and Gregory, 1996). Although the rational model works very well, there could be problems and difficulties of implementation in practice because of the complexity of public organisations or services, and unintended consequences known as often gaming (Noordegraaf and Abma, 2003; Thomas, 2004; Hood and Peters, 2004; Bevan and Hood, 2006). As a result, the ability of auditors and inspectors who handle performance measurement in practice is suspected (Power, 1997). In addition, performance measurement and management needs costs or resources which represent high transaction costs of maintaining the systems (Bouckaert and Halligan, 2008: 157). Talbot (2005: 503-505), in short, presents several implementation problems as its incompleteness; over-complexity, transaction costs; attribution problems; difficulties in measuring quality; possibilities of its manipulation and deception; distorted behaviours and unintended consequences.

Third, although performance can be measured in the public sector, it does not always bring improvement (Pollitt and Bouckaert, 2000) and may harm public sector performance (Noordegraaf and Abma, 2003). Dryzek (1990: 62-63) argues that performance measurement may not often provide any guarantee to better public services in the complexity of reality and a means to ‘tell us whether or not matters are improving’. There are also negative side effects or perverse effects of performance measurement, such as gaming, proceduralism and fear of innovation.

In fact, performance measurement can provide obstacles to democratic discourse which is supposed to rule the public sector. A recent UK Parliamentary report by Public Administration Select Committee (2003) identifies this as a substantial problem in that performance information is not properly used in debates about policy by both

government and the Legislature. Arney, et al. (1997) similarly point out that performance scorecards based on GPRA reports in the USA have often been used only as a political weapon on the Presidency. In the field of policy analysis, there has been a similar debate simmering for some years (Fischer and Forester 1993; Hajer and Wagenaar, 2003). Talbot (2005: 512) argues that this is in some ways ‘the biggest challenge to the performance movement’.

In the end, the critique on performance measurement of public organisations is based upon a distinctive perception of public sector identity different from the private sector (Noordegraaf and Abma, 2003). However, in practice, as Poister (2003: 21) asserts, ‘a consensus has evolved among results-oriented public managers that good measurement systems are effective management tools’. Bouckaert and Halligan (2006: 455) also argue, from the history of performance measurement, ‘it is obvious that there is a learning cycle and progress is present’. In this sense, performance measurement has been intensively expanded into the public sector (Bouckaert, 1995; 1996). Therefore, a more programmatic attitude to performance measurement is more positively and naturally needed in order to improve performance and ensure accountability in the public sector. This is because ‘the potential adverse consequences of such an approach can be managed’ on the one hand (Hyndman and Eden 2001: 579). On the other hand such criticisms or scepticisms of performance measurement are often ‘unconvincing to practitioners’, and thus [we] ‘continue to see lots of opportunities to improve measurement systems’ as Noordegraaf and Abma (2003: 857) argue.

In conclusion, what is matter is to overcome problems and difficulties that may happen during the process of performance measurement or in the implementation of performance measurement systems. Therefore, this thesis will examine differences between the private and public sector and show the possibility of the application of performance measurement in the latter sector.

3.2. The distinction of performance measurement between the private and public sector

A range of performance management techniques (e.g., benchmarking, quality models and scorecards) have recently penetrated into public organisations from the

private sector⁵⁸ (Kouzmin et al., 1999; de Bruijn: 2004; Hakvoort and Klaassen, 2007). This is because politicians and top executives have been increasingly interested in output-oriented performance and efficient organisations. It seems that, like private companies, the performance of public organisations can be measured on the surface. However, there have been long arguments about difference between public management in the public sector and private management in the private sector (table 2-2). A complexity of values in the public sector may be interpreted as a principal characteristic different from the private sector. Therefore, such values as reliability, verifiability, safety, legal equality and democratic content are considered as being important in the public domain (Hakvoort and Klaassen, 2007: 107). Co-ordination mechanism in the public sector such as politics and budget is also different, because there is no such mechanism as ‘a market to serve as a hangman’ (ibid: 111). There are also legal obligations on the public sector for due process and equality of treatment.

Table 2-2. Immanent values in the public and the private domains

Value	Public - Private Continuum	
	Completely public	Completely private
Economic rationality		
Profit	No immanent value	Immanent value
Continuity	No immanent value	Immanent value
Competitive position	No immanent value	Immanent value
Customer orientation	No immanent value	Immanent value
Democratic legitimacy		
Political rationality	Immanent value	No immanent value
Legal rationality		
Accessibility	Immanent value	No immanent value
Legal equality	Immanent value	No immanent value

Source: Hakvoort and Klaassen (2007: 110)

These arguments are consequently related to a question about whether the difference between public and private management demands separate techniques and whether private management techniques can be directly applied in the public sector (Hakvoort and Klaassen, 2007: 107). This is because performance in public organisations is generally regarded as being far more complex and thus management techniques such as performance measurement could be more difficult or even

⁵⁸ During the 1990s there have been substantial developments in private sector management theory and practice regarding organisational performance (see Neely and Waggoner 1998; Czarniecki, 1999; Talbot, 1999).

impossible in the public sector. For example, although performance measurement in the private or public sector is commonly concerned with accountability, transparency, efficiency and effectiveness in such institutions (Worthington and Dollery, 2000: 25), that of private organisations is generally regarded to be different from and easier than that of public organisations (Carter, et al., 1992: 27).

On the one hand, since there exists the ‘famous bottom line (i.e., profit)’, performance measurement is, unlike in the public sector, a simple and incontrovertible technical procedure in private companies. As Worthington and Dollery (2000: 25) note, it has been assumed for a long time that, in the long run, ‘the discipline imposed by the market-place motivates corporations to strive for cost efficiency and profit maximisation, facilitated by feedback from the markets for capital, corporate control and managerial labour’. Therefore, pursuing profits and financial performance measurement (e.g., profits, rates of return on assets, investment and invested capital, market share and market power) seem to be a central part of performance measurement in business companies. As Kanter and Summers (1994: 220) state, this is not only because profits can be measured easily in for-profit organisations, but also because they are a good signpost as to whether market need for them is met and they operate efficiently. Although financial statements are traditionally used as an account of how shareholders’ money has been spent, they are also shown as a result of good or poor management. This means that for several decades, they have been used as performance measurement (Whittington, 1996: 7). Although there are many kinds of measures and measurement systems for private companies, such as the BSC, ISO, and benchmarking, performance measurement in private companies are fundamentally based on the concept of profits as a form of traditional accounting statements⁵⁹.

However, public organisations may lack both an analogue for profit-seeking behaviour and an adequate feedback system to assess the quality of decisions, because of the lack of any bottom-line evaluation mechanism equivalent to assessing success (Wolf, 1989) and little procedure specified for terminating unsuccessful production (Dollery and Worthington, 1996: 29). Regarding ‘the pursuit of profit’, Stewart and Walsh (1994: 46) give a stark explanation of difference between the private and public sector as follows:

⁵⁹ These are several basic examples of measuring performance based on profits in the private domain, such as profit measures, balance sheets, the rate of return and gearing ratios in balance sheets (Whittington, 1996).

Profit... is the measure of final output...there are universally accepted, abstract, performance measures, such as return on capital, available. Such simple, unequivocal measures are neither available nor appropriate in the public service. A range of measures is needed to cope with the multi-dimensional nature of public service.

In addition, unlike the production in private companies, output and services in the public sector may not be simple, but complex, multiple and/or heterogeneous (Mark, 1986; Hatry and Fisk, 1992; Hakvoort and Klaassen, 2007). Many of them do not indeed trade in the market, and thus measuring their performance tends to be more complex than in the private sector. Consequently, as Wolf (1989: 51-52) notes, 'non-market outputs are often hard to define in principle, ill-defined in practice, and extremely difficult to measure as to quantity or to evaluate as quality'. In addition, the fact that output in the public domain tends to be services rather than products makes it difficult to measure performance because the output and quality of services is determined and transferred into their outcome through interaction with different customers or clients (Stewart and Walsh, 1994: 46). It may be difficult to establish cause and effect between the activities of a service and its final outcomes in the public sector, or considerable time may be needed (SCRCSSP, 1998). The negative or side-effects of service provision may add to the complexity of public services (SCRCSSP, 1997) and so the cost of services may not be clear enough to be identified (Ammons, 1986, 1992; Ganley and Cubbin, 1992).

All these differences between both the sectors are formed by the various values of public organisations which exist in the area of politics, surrounded by many kinds of interests from a range of stakeholders⁶⁰ (Jackson, 1993: 9-10; Hakvoort and Klaassen, 2007: 107). There are particular social and political pressures on public organisations by various stakeholders who may demand a range of values, objectives or performance. In fact, what is produced in the public sector is usually determined by political and social goals rather than simple commercial objectives. Therefore, 'it [performance] must be viewed as a set of information about achievements of varying significance to different stakeholders', as Bovaird (1996: 147) argues. Similarly, Pierre (1995: ix) points out that the performance of public administration is about 'the interface between public

⁶⁰ Traditional organisation research was based on rationalistic assumptions about goal consensus, unity of purpose, and the possibility of discovering universal performance standards (Etzioni, 1964; Price, 1968; Hall, 1978). However, recent models regard organisations as more complex entities, and the specification of their goals is thus problematic (Bidwell and Kasarda, 1975; Hirsh, 1975; Katz and Kahn, 1978; Gartner and Riessman, 1974; Cummings and Molly, 1977; Perrow, 1977). In addition, organisations *in the public sector* may be more complex because they exist in the area of politics (Kanter, 1980; Mintzberg, 1983; Pfeffer, 1981; Scott, 1978; Pollitt, 1986; Davies, 1999; Jackson, 1993).

administration and civil society...including public policy implementation as well as policy demands from private actors towards policy-makers' .

In this context, performance measurement in the public sector is more complex and difficult than in the private sector and performance measurement tools in business may not be directly applied into government. For example, the tools of the private sector to satisfy customers cannot be straightforwardly applied to complex customers and stakeholders in the public sector. In other words, in the absence of a measure equivalent to 'profit', the inherent 'multi-dimensionality' of public service provision means that measuring its appropriateness, output, quality and impact is very complex and difficult. Multiple stakeholders may often lead to not only different product definitions, but also different PMs and ways of measurement. A diverse range of internal and external actors and stakeholders consequently have different interest in performance measurement and measurement systems (Pollitt, 1986, Davies, 1999; SCRCSSP, 1997: 16). As a result, a certain performance measurement system can be differently accepted by a variety of stakeholders, as Noordegraaf and Abma (2003: 861) argue, 'Comparable information will mean different things to different people...the meaning of 'optimal' differs from person to person'. Therefore, a wide diversity of values by different stakeholders in the public sector needs to be reflected in the performance measurement of public organisations (Rouse, 1993: 66; Wilson, 2004: 63). Jackson (1993: 9-10) describes these as follows:

It is not a trivial remark to suggest that the challenges which face public service managers are often more daunting than their private sector counterparts and require a wide range and greater intensity of skills.

3.3. The blurring difference of performance measurement between the two sectors

As seen above, there is a stark distinction between the two sectors which results from different values and results in different structure, management and skills. However, the distinction may become blurred or at least this is likely to be valid if certain managerial responsibilities, functions and tasks in certain organizations are examined rather than in the private/public dichotomy (Bozeman, 1990; Lynn, 2007). In fact, the public sector has borrowed many kinds of techniques and skills from its counterpart in many countries under the impact of NPM which brought market, competence and clients to public organisations (*see* James, 2001; Wilks, 2007: 2008).

In relation to performance measurement, Kanter and Summers (1994: 221) assert, 'the lines dividing for-profit and not-for-profit organisations with respect to performance measurement are blurring'. Social mission and values are being more emphasised in the private sector, particularly in greatly successful companies (Ouchi, 1981; Peters and Waterman, 1982; Kanter, 1983). First, for the continuous success, private companies need a holistic view or information of their performance, which involves not only financial statements, but also all other information on a periodic performance. Whittington (1996: 15) argues that, the common view that accounting should typically concentrate on a single primary (financial) statement of profit and loss should be rejected. In fact, Kaplan and Norton (1999: 25) state a number of other aspects than profit or financial performance in their BSC model. According to Carter, et al. (1992: 137), it is quite clear that the use of non-profit PIs is 'playing an increasingly important role in organisations right across the private sector'. This is because a profit-and-loss account and financial indicators, such as return on capital and cost, do not provide a complete or accurate picture of performance. For example, private sector firms, particularly in competitive markets, have to satisfy their consumers but not to raise profit unconditionally, in order to escape the risk of bankruptcy. In these cases, profit as the 'bottom line' is an inadequate indicator. In addition, the assessment of long-term profit is also not even simple. Carter, et al. (1992: 28) therefore indicate that, in reality, there is hardly any bottom-line of performance measurement in the private sector, since this is just symbolic and changeable across time. As a result, non-financial indicators to assess non-financial performance can become an effective instrument of management in business companies. Profit may play the most significant role in performance measurement in the private sector, but non-financial PIs are often used, such as public satisfaction, although they tend to affect sales and profitability in the end, as Stewart and Walsh (1994: 46) note.

In addition, just as private organisations include a variety of companies such as sole traders, partnerships, co-operatives, private and public limited companies, the public sector contains a wide range of organisations, such as central and local government, agencies, trading funds and public corporations. They have features in common with the public sector, but different characteristics at the same time. As a result, it might be suitable for the world of reality to regard ownership as a continuum ranging from a purely governmental department to an individual entrepreneur (Dunsire et al., 1988; Perry and Kraemer, 1983). Performance measurement in each organisation can consequently be considered in its location on the continuum: that is, measuring the

performance of government departments seems to be more difficult, and these departments are likely to hire non-profit PIs, while public corporations might adopt some profit PIs. In addition to ownership, Carter, et al. (1992: 28-35) argue that performance measurement can vary according to such organisational dimensions as the characteristics of products and circumstances: for example trading status, competition, accountability, heterogeneity, complexity and uncertainty. According to their study, the similarity and dissimilarity of PMs between the private and public sector (e.g., using profit or non-profit PIs) tends to be determined by those characteristics rather than whether an organisation exists in the public or private sector.

According to Carter (1989), two other dimensions can influence the development and use of PMs in public organisations: the structure of authority (the institutional relationship between the centre and periphery) and staff members' freedom and flexibility. The power of the centre may provide an incentive to develop PIs and influence the form of those in agencies and branches. The autonomy of profession of professionals, or often trade union power makes difficult standardisation of work tasks and performance measurement.

In a similar context, Noordegraaf and Abma (2003) argue that performance measurement can be used more deliberately in terms of the context or characteristics of an organisation whether it is private or public. According to them, management by performance measurement is suitable for canonical practices, where issues are well known and standards are well shared, but less appropriate for evaluating non-canonical practices and practices-in-transition where such a classification of issues is weak and consensus on standard is absent (table 2-3).

Table 2-3. Measurement logics

	Strong classifications	Weak classifications
Shared standards	Canonical measurement Data (quantitative, a-contextual)	Practice-in-transition measurement Data (qualitative, contextual)
Contested standards	Practice-in-transition measurement Dialogue (negotiated)	Non-canonical measurement Dialogue (reflexive)

Source: Noordegraaf and Abma (2003: 869)

Jansen (2008) similarly argues that, for the intensity of use of performance measurement and information, different efforts have to be made, according to whether

organisations exist in cybernetic or non-cybernetic control. In cybernetic control⁶¹, performance information may be automatically used for a decision-focused management. By contrast, in organisations in non-cybernetic control where targets and measures are not available, it is difficult to use a decision-focused style for dealing with performance information (Jansen, 2008: 39). Jansen (2008) concludes that organisations are in cybernetic control or those that adopt NPM style management need to develop the right performance measurement system. By contrast, it is emphasised that those in non-cybernetic control need to develop a structured process for dealing with performance information that provokes discussion between politicians, managers, and their subordinates. According to Jansen's view, it may be more important to distinguish whether an organisation exists in cybernetic or non-cybernetic control rather than in the private or public sector, although many public organisations seem to be placed in non-cybernetic control and many private in cybernetic control.

In conclusion, instead of a simple dichotomy between the two sectors, performance measurement systems need to be adapted and placed within 'a context that encompasses the relevant culture, structure and strategies, especially in regard to defining customers in the public sector' as MacAdam and Walker (2003: 880) observe. In detail, such difference should not prevent public organisations from using performance measurement and adopting PMs and measurement systems which were firstly developed in the private sector. Alford and Baird (1997) suggest that public services should not be 'lumped together' and that not all areas of the public sector may be conducive to performance measurement. As a result, the methodologies, tools or models of performance measurement in both the sectors can be used interchangeably. In short, although there is difference between the private and public sector, 'lesson drawing and knowledge transfer across sectors is likely to be useful and should never be rejected on ideological grounds' as Lynn (2007: 16) concludes.

This chapter covers the history, concepts and aims of performance measurement in the public sector. It also finds what performance measurement is in the public sector and how different it is from that in the private sector. Through the review of various literatures, it shows two principal aims of performance measurement in government and the possibility to apply a range of measurement tools used in the private sector to the

⁶¹ Organisations can be classified in terms of their control mechanisms into those in cybernetic or non-cybernetic control. The former can be compared to a thermostat with a measure (temperature in degrees) and target (the desired temperature). A deviation between these temperatures is automatically corrected (Hofstede, 1981: 198). Those that do not meet all of these conditions can be placed in non-cybernetic control (e.g., intuitive control, judgemental control and political control (Hofstede, 1981: 196–198).

opposite sector. However, this chapter also shows perverse effects in measuring and managing performance and the criticism of its use in the public sector. The next chapter will consequently examine how these difficulties and scepticism can be overcome and how appropriate measurement systems can be developed. It will also explore a range of models for performance measurement which are frequently used in government and conditions for useful measurement systems particularly in the public sector.

Chapter 3. Developing Good Performance Measurement Systems

This chapter focuses on potential areas for improvement in performance measurement systems particularly in the public sector. It sets out the main themes that emerge in the literature and research about how these systems can be effective in practice and developed. Some of these of course relate to measures or PIs, and others to the way in which they are used and applied. The following describes the shape of performance measurement systems, how to develop them and several models that are widely used in the public sector. Conditions for effective systems will be discussed, focusing on overcoming their problems and perverse effects.

1. Developing performance measurement systems in the public sector

In reality, performance measurement systems exist in a wide variety of shapes and a broad range of sizes depending on their purposes and uses in both private and public organisations. Some might monitor a production process or service delivery in organisational levels every week, whilst others would monitor an entire state on an annual basis. Their focuses can also range from efficiency and productivity to service quality, user satisfaction or outcomes⁶². However, they can be used as three main functions as Franco-Santos, et al (2004) indicate: strategy management (including formulation and execution), communication (internal and external), and influencing behaviour through monitoring and rewarding. Most of all, performance measurement systems are expected to provide performance information for making decisions regarding strategies, policies, programmes, service delivery, ongoing operations and resource allocation. Therefore, a performance measurement system is a component of a broader corporate performance management system (Hailstones 1994; Lebas 1995; Bourne, et al., 2003; Bouckaert and Halligan, 2006).

In practice, there are a range of instruments for performance measurement in public organisations (Reichard, 1998: 123): e.g., PI systems; accrual cost accounting concepts; performance budgeting; performance monitoring or controlling; benchmarking procedures; quality assessments and awards, and performance awards and competitions such as Citizen Charter Award in the UK, Malcolm Baldrige Award in the USA,

⁶² See Bredrup (1995), Otley (1999), Forza and Salvador (2000), Ittner, et al (2003).

Speyer Quality Award in Germany. Recently more standardized performance measurement systems such as generic models including ISO, BSC and EFQM have been widely used in the public sector (Bouckaert and Halligan, 2008: 126). It is essential that different kinds of PMs are employed in order to investigate various dimensions of performance in an organisation (Jackson, 1988: 11; Bouckaert and Halligan, 2008: 27). Massey and Pyper (2005: 140) also argue that they should cover both objective and subjective aspects. Therefore, performance measurement systems might differ from PIs.

PMs or PIs can be basically classified by the objectives or targets that they measure: e.g., measures or PIs of economy, effectiveness, efficiency, productivity, service quality and customer satisfaction (Poister, 2003: 55). Therefore, in order to investigate particular dimensions of performance in an organisation, such different kinds of PMs need to be used (Bouckaert and Halligan, 2008: 27). According to Jackson and Palmer (Jackson, 1988: 12), PIs can be categorised according to whether they are 'prescriptive' (linked to particular objectives), 'proscriptive' (negative indicators) and 'descriptive' indicators (which describe what an organisation does). Carter, et al. (1992, 49-51) compared prescriptive, descriptive and proscriptive PIs as 'a dial, tin-opener and alarm-bell' in that order. According to them (ibid: 50), the different uses of PIs can give implications for management styles, although many services provided by public organisations may use a mix of dials and tin-openers. Whereas prescriptive PIs are generally 'a top-down management tool' such as a command style of management, descriptive ones advocate the need for 'a more persuasive style of management'. Pollitt (1987) also argues that PIs can be differently used in two ways: 'management-driven efficiency from above' schemes based on hierarchy and competitiveness; or the 'right to manage from self-driven professional models' with more autonomy.

According to Hood (2007: 101), there are basically three types of performance measurement systems in terms of their objective and use: target, ranking or intelligence systems. Target systems that measure actual performance against one or more specified standards are suitable for 'raising basic levels of performance'. Ranking systems that measure current or past performance of comparable service units against each other are apt for 'sweating and stretching public service provision systems'. Intelligence systems that measure performance for background information but involve no fixed interpretation of the data in forms of league tables or comparisons with standards are necessary to use for 'serendipity, or building a knowledge base' about service provision.

In practice, these three forms of performance measurement systems are often combined into hybrids and so the boundary between them often blurs. According to Hood (2007: 101), each of the three types has limits; e.g., target systems may cause ratchet effects or threshold effects; ranking systems may be vulnerable to statistical noise⁶³ and output distortions; intelligence systems have such disadvantages as unpredictability and lack of transparency and clear incentives for service providers.

In addition, there has recently been a new trend of composite ranking systems⁶⁴ which create league tables in terms of an aggregation of underlying performance indicators into a single index. This approach applies not only at a national level but also at an international level of rankings, such as the competitiveness index and the World Bank's governance ratings. The rationale of making composite indicators is that: performance is multidimensional so that a rounded assessment of performance is needed for systematic comparison (Smith, 2002: 2). This composite system or PIs can contribute to transparency in funding and performance assessment, while it is often criticized as complexity and opacity (Smith, 2002; Cutler and Waine, 2003; Jacobs and Goddard, 2007).

Another classification of performance measurement systems is whether they focus on products or processes in organisations, although most measurement systems usually concern products. Although process measurement systems do not show results and outcomes, it can be used as a complementation of product measurement systems, because the discourse between professionals in process measurement might reveal their 'tacit knowledge' (de Bruijn, 2002: 60-61).

Just as there are many stakeholders in the public sector, performance measurement systems can serve different stakeholders with different performance information (Reichard, 1998: 124). First, there are several recipients within organisations, such as politicians, top management, line managers and employees. Second, such stakeholders outside of organisations may be interested in performance information as citizens, clients, customers and tax payers. There are also outside competing authorities, supervisory bodies or other governmental institutions. Finally, more broadly, the general public and press media are increasingly interested in performance information.

⁶³ See Goldstein and Spiegelhalter (1996); Marshall and Spiegelhalter (1998); Jacobs and Goddard (2007).

⁶⁴ Current government policy in England emphasises the creation of composite indicators and they are used widely in health, social services, education, universities, local government and other service areas (Freudenberg, 2003; Joint Research Centre, 2002): e.g., the Audit Commission's CPA of local government and star rating of NHS trusts, OFSTED's and the CSCI's star rating of respectively schools and social services, and university ranking systems in research assessment exercise (RAE).

All these different groups need or expect data for their specific requirements regarding the scope and detail of performance. Therefore, performance measurement systems need to produce more customised information and to be developed in the particular needs of an organisation, reflecting different stakeholders (Poister, 2003: 32). In this sense, Bouckaert and Halligan (2008: 452-453) argue that a policy for performance measurement systems is necessary to integrate different requirements regarding performance as well as to clarify how performance information is integrated into financial cycle (budgets, accounts, audits) and policy cycle. Hood (2007: 101) similarly argues that the three types of performance measurement systems mentioned above have to be used in a contingent context.

The process of introduction, use or development of performance measurement systems in public organisations has been in detail suggested by several researchers (*see* Pollitt⁶⁵, 1995; Hatry⁶⁶, 1999; Poister⁶⁷, 2003). However, they can be presented in terms of a common design and implementation process of systems which has four stages in a life cycle: design, implementation, use and updating (Bourne, et al. 2000). ‘Design’ means a defining what should be measured and how it should be measured under the understanding of organisational strategies and objectives (Kaplan and Norton, 1996a), reflecting stakeholders’ needs and interests (Neely, et al. 2002). ‘Implementation’ is a phase in which systems and procedures are put in place to collect and process data into regular use. In the stage of ‘use’, performance information is produced for internal/external reporting, resource management and strategic planning. ‘Update or Refresh’ refers to the ongoing maintenance and improvement of performance measurement systems in response to organisations’ evolving needs (Dixon, et al. 1990). In this step, a systematic review of measurement architecture may be important (Meekings, 1995).

⁶⁵ Pollitt (1995) suggests a logical model for developing measurement systems which consists of 10 steps. They are deciding and making explicit the purposes of measurement; conceptualising and defining measures; operationalising these measures; collecting the data; processing the data; interpreting and evaluating the indicator data; determining the consequences of the evaluation; selecting action; giving public account; and restarting the cycle.

⁶⁶ Hatry (1999) presents 15 steps of performance measurement system development. They are: setting overall scope, getting top-level support and establishing a working group; identifying mission and customers; identifying what is to be measured; identifying data sources and data collection procedures; determining data breakouts, comparisons and analysis plan; preparing for pilot test; pilot-testing and making revisions; and planning for implementation.

⁶⁷ Poister (2003) proposes a model of 10 sequential steps. They are securing management commitment; organising the system development process; clarifying purpose and system parameters; identifying outcomes and other performance criteria; defining, evaluating, and selecting indicators (the heart of developing process); develop data collection procedures; specifying the system design; conducting a pilot and revising if necessary (optional); implementing a full-scale system; and using, evaluating, and modifying the system as appropriate.

Successful performance measurement is not easy (Bourne and Neely, 2002) and so, in each step of this cycle, a diverse range of comments has been made for successful performance measurement systems. Some examples of these are sufficient top management support and political commitment from stakeholders (Newcomer, 1997) and leadership (Eccles, 1991; Hacker and Brotherton, 1997) and an organisation's actionable vision and strategy suitable for using performance measurement systems (Kaplan and Norton, 1996a; b). In addition, performance measurement systems need to be integrated with organisational strategy and goals (Kaplan and Norton, 1996a, b), and the process of planning, budgeting and management (Meekings, 1995; Kaplan and Norton, 2001a; Cabinet Office, 2001). They also need PMs that are defined by those who hold the most influence over the process (Newcomer, 1997) and enough incentives (Eccles, 1991). Staff members' resistance to performance measurement also has to be addressed (Hacker and Brotherton, 1997; Newcomer, 1997; Bourne, et al., 2000). In technical point, IT infrastructure is often designated as an element of successful performance measurement systems (Eccles, 1991; Eccles and Pyburn, 1992).

However, main emphases for the successful development and use of performance measurement (and systems) are closely related to such questions as: how performance measurement can produce valid and reliable information and how it can be well used for better performance. Therefore, the successful development and use of performance measurement might begin at the understanding of difficulties of performance measurement in the public sector, which is surrounded by different stakeholders on the one hand; and at preventing any perverse effect on the other (Smith, 1995; de Bruijn 2002). This is because the public sector is generally characterized differently from the private sector on the one hand; and perverse effects that performance measurement in either the private or public domain should be controlled on the other hand.

2. Different stakeholders and performance measurement in the public sector

A certain performance measurement system may fail to help public organisations improve performance and accountability because of such characteristics in the public sector as a range of stakeholders and different elements of the environment. There is in fact a wide range of values in the public sector from different stakeholders (e.g., managers at different levels, workforce or practitioners, national and local politicians, professionals, consumers and clients) and a variety of organisational dimensions (e.g.,

professional, economic, democratic and legal) (Llewellyn, 1996: 175). A range of stakeholders and their different interests may demand different organisational aims and purposes in the public sector. This is also likely to make it problematic or difficult to measure its achievement and performance or introduce a certain performance measurement system into public organisations (Jackson, 1993).

All of these arguments present the importance of asking the following questions: how outcomes or effectiveness is measured, which involves organisational aims and purposes, who wants or use performance measurement, and why. This is because performance measurement tends to judge superseded targets and priorities and so its process may be captured by some stakeholders whose interests dominate others (Mullins 1997: Kelly, 2003: 468). As Stewart and Walsh (1992: 45) argue, different PMs are promoted by different political interests and thus the construction of performance measurement systems expresses and promotes certain values. In this sense, Kanter and Summers (1994: 230) argue that significant questions about performance measurement are ‘not how to measure effectiveness or productivity but what to measure and how definitions and techniques are chosen and are linked to other aspects’, such as actors and environmental relations of an organisation. Similarly, de Lancer and Holzer (2001, quoted in de Lancer, 2006: 225) argue that the implementation of performance measurement systems exists in a political environment as follows:

Adoption was more heavily influenced by rational/technical factors such as the existence of an internal agency requirement to use performance measures, availability of resources and a goal orientation in the organisation. Implementation, on the other hand, was more influenced by political/cultural factors such as external interest groups, the organisation promoting risk-taking among employees, and attitude toward performance measurement.

As a result, performance measurement systems might be variously used, since different stakeholders prefer different definitions of performance on their own views of what organisations should be or do. For instance, whereas internal management may employ them for the purpose of accountable management with external auditors, clients and customers could pay attention to other measures focusing on consumer issues Kanter and Summers (1994: 230) point out that performance measurement systems represent various interests of different stakeholders according to their three functions: institutional, managerial and technical function. First, in institutional functions, concerning ‘legitimacy renewal and resource attraction’ within the environment, main stakeholders might be boards, volunteers and donors. Second, managerial functions, providing information for adjustment and progress, they would be managers and

professionals. Finally, relevant stakeholders may be customers, clients and tax-payers in technical functions, providing information on efficiency or quality.

Performance measurement systems in the public sector consequently have to reflect different values of different stakeholders and even different context which surround public organisations. For example, the importance of clients and customers' views on organisational performance are strongly emphasised by the National Consumer Council (1986: quoted in Jackson, 1988: 12) as follows:

Without appropriate external measures for customers, clients or competitors, an organisation has only half the picture or at best a photograph taken by an outsider which might have a totally different focus.

Ignorance of multi-faceted challenges of public organisations in performance measurement may result in wrong decisions, financial loss and de-motivated staff (Bouckaert and Peters, 2002: 359). Further, 'claims to neutrality and objectivity in performance measurement have an anti-democratic implication' as Tilbury (2006: 50) argues. As a solution of the ambiguity and complexity on what performance is in public organisations, Bouckaert and Halligan, (2008: 170) argue that there is a 'need for dialogue' between stakeholders in order to obviate a risk of 'not using' or of 'abusing' performance information, which may result in perverse effects.

In practice, a variety of measures are necessary in performance measurement systems to 'cope with the multi-dimensional nature of public service' as Stewart and Walsh (1994: 46) argue. For instance, a performance measurement system can take account of the complexities of public organisations in terms of involving service users and other stakeholders as well as measuring their output⁶⁸. De Bruijn (2002: 58) also argues that the variety and redundancy of measures improves the quality of performance measurement in the public sector. As Hood (1991) points out, performance measurement in the public sector might be an ultimate balancing act between different types of performance or values, which have different time-frames and require different management techniques. Further, Scott (1977) argues that 'data collection' must be chosen from a variety of sources, since multiple interests exist in the processes of both defining and collecting data.

In conclusion, it is necessary that performance measurement in the public domain needs to involve value judgement and reflect different values in terms of different PMs.

⁶⁸ In this sense, the Audit Commission (1988) proposes a range of performance measures such as those regarding resources/cost, customers, service delivery organisation, services delivered, and results/outcomes

In other words, different view-points need to be reflected in the development and use of performance measurement systems in the public sector, which is clearly indicated in Yang and Holzer's words (2006: 123) as follows:

Democratic government is an institution with political, administrative and legal components. As a result, measurement of trust and performance should take a rich, integrated view that attends to government-wide (as opposed to single-agency) evaluation, political responsiveness, institutional design and citizen input.

3. The difficulties of performance measurement in the public sector

It is generally considered that performance measurement in the public sector is more difficult and problematic than in business companies because of its sector characteristics. According to Sanderson (1998: 9), these problems and difficulties result from two fundamental assumptions of 'measurability' and 'controllability' in performance measurement. The latter means that PMs usually identify intended effects and so neglect unintended effects and impacts (i.e., policy side-effects). In fact, PIs tend to measure something which can be controlled by public organisations, but not others which can be affected by interfering variables. However, socio-economic variation usually influences the outcomes of public services, such as health and education outcomes. For example, Rushton and Dance (2002) argue that standardised targets for children's educational achievement are inappropriate because the likely-educational attainment can be affected by factors outside the control of a local authority.

Measurability generally involves the methodologies of measuring performance: e.g., how to identify and standardise performance, how to compare performance, how to control socio-economic variation in measurement systems and how to quantify performance with qualitative data. Most of all, intangible output or outcomes are unlikely to be easily measured in public organisations: e.g., in process-oriented organisations whose activities are indirectly connected to the desired results; in policy-oriented units, (regarding planning, research and evaluation) and support function units (like purchasing, personnel, budgeting and information management). In addition, it can be difficult to capture the performance of prevention-programme organisations that aim to prevent disasters (e.g., the spread of diseases, fire services) or minimise injuries and fatalities when those do not occur (Poister, 2003: 19-20).

In any cases, performance, such as input, output and outcomes must be identified and standardised for measurement and comparison (Llewellyn, 1996: 173). The

standardisation is basically related to bringing ‘costs’ attributed to output and ‘outputs’ measured by quantitative PIs (Dunleavy and Hood, 1994: 9). However, the standardisation is often problematic in the public sector since a diverse range of values, needs, activities and services requested by different stakeholders make aims and objectives less clear and straightforward (Lewis and Jones 1990; Jackson, 1993). For example, in social services, there are a variety of clients who demand variable resources and it is thus difficult to integrate measures of these dimensions into a single ‘quality of service score’ (Llewellyn, 1996: 173).

As a result, PIs in the public sector tend to focus on input and output rather than outcomes. For example, An analysis of a local authority⁶⁹ by Pollitt (1986) indicated that most PIs (75%) referred to ‘economy’ and ‘efficiency’, while a small percentage (1%) were related to ‘effectiveness’, and none to quality of service. Similarly, a study by Boyne (2002: 20-23) shows that small numbers of PIs related to ‘effectiveness’ among the statutory PIs of the AC for primary local authorities (12% in 1993/94, 17% in 1999/2000). This was a little changed but still continued in BVPIs (23% in 2000/01 and 28% in 2001/03). This situation was very similar to the context of the USA. According to Ammons (1996: 2), in the USA, the majority of PMs in most cities merely reflected workload, but only few of them assessed quality and effectiveness. These investigations show that the assessment of quality and outcomes is fraught with difficulty in public organisations.

According to Llewellyn (1996: 175), it is a challenge to establish what constitutes ‘good performance’, because average performance is often equated with good performance and thus statistical outliers could be evaluated as bad units. In the same context, comparison for the provision of useful information is not easy in relation to public services (Carter, et al., 1992: 25-34; Flynn, 1990: 98-113). This is because one should be comparing ‘the like with the like’ and it is thus needed to use the same definitions and to check data reliability.

There are also some problems of quantifying qualitative data, such as those pertaining to quality issues and public satisfaction (Llewellyn, 1996: 174-177; Talbot, 2005: 503-504). This is because, as Stewart and Walsh (1994) argue, outcomes are not susceptible to easy quantification and measurement: they often have complex economic and social values. For example, although surveys or interviews for the assessment of

⁶⁹ This was Bexley, which was relatively advanced in employing performance assessment within the organisation at the time of his research.

client satisfaction can be used as outcome measures, they might reflect not only service quality but also clients' histories, experiences and expectations. In addition, performance measurement systems have difficulty in challenging such values as equity, collective action and citizenship. According to Talbot (2005: 503-4), performance measurement in the public sector has distorting and demoralising effects, particularly in 'human services' where many aspects of performance are not easily measured.

Performance measurement is generally unlikely to tell why outcomes occurred or measure some complex outcomes⁷⁰ (Poister, 2003: 20; Talbot, 2005: 503), although it can show apparent causal relationships in simple public services, such as street-cleaning and road maintenance (Perrin, 1998; de Lancer Julnes, 2006: 231). Therefore, information provided by performance measurement systems may be part of information that managers and elected officials need to make decision (Hatry, 1999: 5). As a result, it would be necessary to engage in a programme evaluation study.

The use of performance measurement result can be problematic in the public sector. It is often criticised that although performance measurement systems are increasingly used in public organisations, performance information provided by them may not be commonly used and have little direct impact on decision-making or budgeting (Weiss, 1988; Behn, 2002; de Lancer Julnes and Holzer, 2001; de Lancer Julnes, 2006: 224). In practice, according to findings by the OECD and the World Bank (Curristine, 2005: 12), politicians do not generally use performance information provided by PMs or measurement systems in decision-making (merely in 19% of OECD countries). According to a UK Parliamentary committee (Public Administration Select Committee, 2003), both Government and the Legislature did not sufficiently performance information in debates about policy (Talbot 2005: 512). Similarly, in the USA, GPRA reports published by the Congressional Republican leadership are often used as an attack on the Presidency rather than performance improvement (Armeiy, et al. 1997; Talbot, 2005: 512). The reason of this may be attributed to such factors as the validity of PMs and measurement systems or a political context where public organisations exist. The former can be referred to the relative rarity of 'good' PMs, lack of incentives and useful information (Ammons, 1995), while the latter means that decision making in the public sector is principally based on political pressure and interest (Jansen, 2008).

⁷⁰ This is a so-called attribution problem which is usually discussed in relation to outcomes (*see* Talbot, 2005)

The amount of time, energy, efforts and costs taken up in performance measurement is another major criticism (Hoggett, 1996; Hood, et al., 1999; Miller, 2002; Talbot, 2005). The cost of performance measurement generally includes all costs and time for developing systems, collecting and processing data, completing reports and analysing performance information. This direct cost tends to be bigger in the public sector than in the private sector in that the output and outcomes of public organisations are more difficult to measure. In addition, there might invisible costs in performance measurement, such as transaction costs⁷¹ for staff training, efforts and time spent in preparing evidence and storing data; employees' compliance cost; and perverse effects resulted by performance measurement (Talbot, 2005). Therefore, performance measurement is often regarded as 'a net debit to public services rather than a value adding component' as Talbot (ibid: 503) indicates.

For this reason, it is necessary to ensure 'the value for money of performance measurement systems' (i.e., a cost-benefit analysis) through securing that relevant areas are measured and valid and reliable data are produced (Miller, 2002; Talbot, 2005; Bouckaert and Halligan, 2008). However, this cost-benefit analysis 'rarely applies' in reality (Talbot, 2005: 503) and more difficult or problematic in the public sector (Bouckaert and Halligan, 2008). According to Bouckaert and Halligan (ibid: 27), the cost of introducing and implementing performance measurement systems are unconditional, tangible and immediate, whereas their benefits are conditional, intangible and scheduled for the future. In other words, their benefits depend on the provision of valid performance information and on the use of this information for strategies and decision-making, allocation of resources and accountability. However, as seen above, the provision of useful performance information is difficult and its use is also not easy in the public sector.

In conclusion, performance measurement systems tend to report merely about simple aspects of a public organisation performance which can be easily standardised. Therefore, they may provide poor performance information as seen in Midwinter's words (1994), 'information hungry'. If performance information produced by measurement systems is improper or incomplete to show public activities and services, this may result in the distortion of actual performance and demoralisation of those unfairly categorised as being poor (Talbot, 2005: 502). The incomplete performance

⁷¹ In economics, these generally refer to those relating to transactions, such as buying, selling, and emotional or informal exchanges (i.e., a market trading fee); or more broadly any costs that arise due to the existence of institutions (*see* Williamson, 1985, 1996).

information is also unlikely to be used in a cycle of policy or management. In fact, what is not measured may be important to stakeholders. On the contrary, performance measurement systems can become more complex for more completeness, but this may result in ‘informational overload’ and ‘incommensurate costs’ (Talbot, 2005: 503). As a result, it is very important to find a way to overcome these difficulties of performance measurement in the public sector as well as prevent its perverse effects.

4. Overcoming difficulties and perverse effects

As investigated in above, performance measurement may result in perverse effects and there are some difficulties to measure performance particularly in the public sector. Therefore, useful performance measurement systems in the public sector should overcome or prevent these problems and adverse effects (Bouckaert and Halligan, 2006: 456). Problems and perverse effects of performance measurement are generally related to practical and technical soundness. They can therefore be matched with their solutions in terms of guidelines for developing useful measurement systems, including developing valid measures; making accurate comparisons; ensuring reliable data; and recognising and rewarding those who make progress. In addition, some difficulties resulted from the characteristics of public organisations also need to be addressed appropriately.

A diverse range of values, needs, activities and services demanded by different stakeholders in the public sector should be included performance measurement systems. As Kloot (1999: 567) argues, the measurement of financial performance show only limited aspects of a public organisation’s performance. It is thus suggested that good performance measurement systems need to broaden the scope of measurement in order to show a variety of performance in terms of using more comprehensive approaches, which are for example shown in the BSC or EFQM (Marshall, et al. 2000). A wide variety of PMs should be used or balanced in public organisations, showing from economy and efficiency to service quality, user satisfaction, equity, participation and finally effectiveness (Hood, 1991; McGough, 1993; Stewart and Walsh, 1994: AC, 1999a; de Bruijn, 2002).

However, the measurement of outcomes or effectiveness is unlikely to be easily assessed since outcomes are longer term impacts of policies or services and thus influenced by other socio-economic conditions (Carter, et al., 1992: 39). As a solution,

outcomes can be in practice captured to a large degree by quantifiable measures of service quality and customer satisfaction in certain circumstances (e.g., refuse collection, housing maintenance). In addition, ‘proxy’ or ‘surrogate’ measures are often used (Whyne, 1987: 62). For example, the ratio of loans to book stock might be taken as ‘a proxy’ for the contribution of library services to improving public knowledge. In the case of policing, the percentage of solved crimes might be a measure for the contribution to the maintenance of a peaceful, crime-free society. Similarly, participation rates in leisure services might be measures for the contribution to healthy lifestyles (Stabler and Ravenscroft, 1994: 113). The difficulty of measuring quality can also be solved in terms of using measures concerning regarding the levels of complaints, user satisfaction and experience, speed of services and service take-up (AC, 1999a). Checklists of good practice and expert opinion could also be incorporated into quality checks. According to Hatry (1999: 17), the measurement of service quality can be considered as an assessment of intermediate outcomes. However, there is a danger that proxy measures can lead to perverse effects if they are not directly related to intended outcomes (Sanderson, 1998). For example, police might focus on smaller offences rather than harder-to-solve cases.

For the assessment of outcomes and service effects, performance measurement systems need to contain relevant PMs that require greater emphasis on qualitative and subjective measures (Palmer, 1993; Sanderson, 1998: 10). In addition, rigorous research based on qualitative approaches can be used for the assessment of outcomes of those services that cannot be easily quantified or may take a long period to be identified (Sanderson, 1998: 10): e.g., social and economic benefits from education, improvement in environmental quality and health benefits from leisure policies.

For the accurate assessment of outcomes, PMs often need to be used in cross-cutting areas rather than in individual service areas in that such issues as education, health and social services need to be improved more multi-dimensionally (Hoggett, 1996). For example, in social services, PIs need to deal with ‘cross-cutting’ issues, such as reducing social exclusion or deprivation, which involve several agencies. With regard to cross-cutting measurement, Humphrey (2002: 48) presents the use of qualitative methodologies can be very useful.

Comparisons need to be widely used as an important process in performance measurement for the provision of more useful information (Cater, et al., 1992; Hatry, 1999; Bouckaert and Halligan, 2008). For example, league tables have been often

provided as a result of comparison for publicly encouraging an easy understanding of organisational performance. Comparisons consequently need to be accurate, which means that they should be based on reliable data, standardised definitions and standardised data collection. The AC (1987) suggests five types of comparisons: over time, against standards, between intra-services, between private and public organisations and between inter-authorities. Comparisons in performance measurement are usually made over time or against predetermined objectives, targets or standards (Poiseter, 2003: 16). However, standard-setting is not a simple technical process but a complex political process involving financial, social, technical and historical criteria. Therefore, performance is often compared on a like-with-like basis; e.g., between units that carry out similar functions (Cater, et al., 1992: 46). A cross-sectional comparison with other organisations delivering the same services, which may lead to league tables, needs to reflect their different socio-economic features to reduce the problem of like-with-like. Cluster analysis is often employed as a solution (e.g., 'nearest neighbour' or 'family' local authorities under a similar socio-economic profile) (Hill and Bramley, 1986). External comparison with other organisations in both public and private sectors also raises the question of like-for-like. According to Flynn (1986), between the two sectors, the only transferable measures were 'unit cost of inputs' (gross hourly rates) and 'the production function' (percentage of administrative, professional, technical staff).

In order to get robust data, data collection systems have to be developed in correspondence with the purposes of performance measurement systems, which are finally subject to organisational aims and strategies. As Pollitt (1990: 444) argues, new performance measurement systems need to build 'new data collection systems rather than simply repackaging and representing statistics which are already at the back of the filing cabinet'. Auditing data is commonly used not only for testing its accuracy, reliability and comparability but for evaluating whether performance information is meaningful and useable for management (Bouckaert and Van Dooren, 2003). The 'cost' of data collection is important because most costs of measurement systems (e.g., pay for collection, storage, processing of data, diffusion of information, evaluation and auditing) mainly happen in the process of data collection (Cater, et. al., 1992). Therefore, performance measurement systems need to establish a routine of data collection in an easy and cheap way. Education in technical skills may also be necessary for staff and employees to get valid data as well as operate measurement systems properly (e.g., quantification techniques).

Performance information might of course be an incentive for improvement (Hatry, 1999: 161), because people naturally pursue good results in any competition or assessment. If the results of performance measurement are reported to outside organisations, this tendency can be more effective. Therefore, performance measurement systems should provide valid and reliable information in order to be used as motivators for improvement. Furthermore, performance measurement systems need to incorporate an ‘incentive structure’, which rewards and/or punishes good or poor performance, for the achievement of organisational aims and goals (Ammons, 1995; Reichard, 1998: 134). The incentive structure, which may consist of monetary and/or non-monetary rewards and/or sanctions (Hatry, 1999: 162), promotes performance-based management and thus performance-related behaviours are expected in organisations. According to Swiss (2005: 592), successful, result-specific incentives are characterised by ‘timeliness’, ‘political environment’, ‘clarity of the cause-and-effect chain’, and ‘tightness of focus’.

Incentives need to be differently structured according to organisational culture, because performance culture is affected by administrative culture (e.g., individual responsibility and self-accountability in Anglo-Saxon countries, but collective and egalitarian oriented culture in the Nordic states, such as Sweden and Finland) (Pollitt and Summa, 1997: 11). For example, in countries with a high individuality orientation, it may be suitable to motivate and reward individuals for their personal performance, while in other countries it may be better to design incentive systems based on groups or to larger organisational units (Reichard, 1998: 134).

In any cases, accurate performance information is very important for the acceptance of incentives, otherwise they may cause perverse effects (Hatry, 1999: 161). Bouckaert and Halligan (2008: 119) argue that performance measurement should not be used as a tool of punishment but of learning to improvement in order to prevent perverse effects.

Once a performance measurement system is introduced, it tends to be static or not lively. This may consequently makes perverse effects since more complex products or new targets might not match an existing system. Talbot (2005: 504) argues that ‘the effectiveness of performance measurement deteriorates over time’ (the paradox of performance). On the other hand, frequent changes of PMs or PIs may make it more difficult to compare performance information across years (Bouckaert and Halligan, 2008: 109). In fact, PMs or measurement systems may not consistently sustained in

public organisations because of short-term political cycles and political determination to gain short-term political advantages (Talbot, 2005: 504).

Therefore, regular updating or refreshing measurement systems is important for dynamic systems which ensure continuous improvement and prevent perverse effects. However, it is somewhat complex, expensive and time-consuming. In addition, a management and control perspective might prefer the stability of measures and measurement systems (Osborne and Plastrik, 1997: 145). Existing measurement systems often create a network of stakeholders within and outside of organisations. De Bruijn (2002: 44) argues that a complete 'performance measurement industry' has developed, consisting of civil servants, accountants, scientists, media and consultants. Therefore, the system already installed cannot be easily changed. As a result, good measurement systems need to be 'continually changed in order to remain effective' as Dixon, et al. (1990: 4-5) argue. In other words, there is a need to assess the performance of PMs or measurement systems. A caution in this simple solution is that the identification of new products or targets in an existing performance measurement system may lead to 'mushrooming' to lose its functions (de Bruijn, 2002: 38).

As a useful tool for management, the result of performance measurement is expected to be increasingly used through an affluent flow of feedback (Palmer, 1993; Kloot, 1999). As Cunningham and Harris (2005: 15) argue, 'Mere adoption of performance reporting is not effective...[its] Communication and integration with strategic planning and agency management are essential'. However, it may not be enthusiastically used in the public sector for performance improvement. Van Thiel and Pollitt (2007: 67) point out the reasons of this in four ways: PMs that do not match organisational objectives; difficulty of tracking performance by frequent changing of measures; inaccurate or unreliable data or information; and political pressure and interest on decision-making in government.

As a result, for the more positive and systematic use of performance information in the public sector, there is a need to measure performance accurately and report credible information in a technical perspective; and to foster a climate in which the use of performance information is encouraged in an organisational context. For example, an overview by the OECD (2005b) presents six institutional and other six technical challenges to implementing performance information in public organisations⁷². For the

⁷² The former are fostering a climate; setting realistic expectations for performance information; long-term development; setting outcomes; avoiding distorting behaviour; and accountability for outcomes. The

provision of valid performance information, different stakeholders should be considered and difficulties and perverse effects should be overcome. In addition, the results of accurate performance measurement have to be produced user-friendly towards internal stakeholders as well as those outside organisations (Jones and Pendelbury, 1991: 32). According to studies by the AC (1995c, 1999c), the public hardly read performance reports, data and statistics or even remember seeing them, which may lead to mistrust or misunderstanding.

In an organisational perspective, an appropriate ‘performance culture’ including the values, attitudes and behaviours of politicians and staff-members towards performance measurement can be a major prerequisite (Reichard, 1998: 134). Mac Adam and Walker (2003: 880) argue that performance measurement systems or information needs to be adapted and placed within ‘a context that encompasses the relevant culture, structure and strategies’ in the public sector.

According to Jansen (2008), a lack of use of performance information by politicians and managers in the public sector is derived from not only the rule of politics but also the absence of a routine to deal with that information in a discussion-provoking manner. In other words, he emphasises that the availability of a routine to debate about performance information is more important for its intense use than robust measures in public organisations. Therefore, Jansen (2008: 57) argues that efforts should be ‘put into developing a structured process for dealing with performance information’ rather than into defining the ‘right’ PMs. In such a process, performance information can at least be used as a discussion-provoking style of public management, although it may not directly connected to decision-making, budgeting or controlling. Similarly, Stewart and Walsh (1994: 45-48) argue that, although PMs are imperfect and uncertain in the public sector, it is necessary to use them ‘as a means of supporting politically informed judgement’ in the recognition of their limitation rather than to discard them.

5. An emphasis on the bottom-up approach to performance measurement systems

latter are valid measurement; avoiding measurement overload; action/outcome attribution; linking financial and performance management; quality assurance for data/information; and credible reporting.

The primary interest in the development of performance measurement systems is generally 'top-down' control and introduced in a top-down manner by the interests of politicians and senior management within public organisations (intra-organisations) as well as between central government and public agencies (inter-organisations) (Pollitt, 1988; Carter, et al., 1992; Bovaird and Gregory, 1996, McKeivitt and Lawton, 1996; Radnor and McGuire, 2003). This is because performance measurement is usually constructed on the general tendency of management: i.e., with management formulating problems, goals and indicators; professional or frontline employees implementing; and management finally measuring, evaluating and appraising. However, this might result in the unfairness of performance measurement and invite dysfunctional behaviour. This is because performance is 'a matter of co-production' between managers and professional or frontline employees and with other third parties, such as the political or economic environment and is thus achieved in 'a network of dependencies' between organisations, as de Bruijn (2002: 35) argues.

In fact, research by McKeivitt and Lawton (1996) indicates that performance measurement systems developed as an impetus of top-down external forces or senior management fail to engage the commitment of middle and junior management. Smith (1993, 1995) similarly argues that dysfunctional behaviours are created by operational managers and front-line staff controlling most data for performance measurement systems since those are usually introduced either by central government or by senior management. Smith (1995: 16) asserts, 'a great deal of harm could arise from the mechanistic application of PIs'.

The top-down approach of introduction and use of performance measurement systems is unlikely to be suitable for public organisations which consist of many professionals or professional government officials. Although there are many frontline workers who repeatedly implement or deliver simple services, a diverse range of professionals and professional civil servants (bureau-professionals) work for government (Humphrey, 2002: 45). For example, there are usually many professional civil servants and local officers in central and local government, and many professionals work for other public organisations, such as hospitals, schools, research institutions and public companies. Within a public organisation, mid or upper levels of staff may be more professional than lower levels. The primary process and output in professional organisations is somewhat complex and knowledge-intensive, and requires special expertise or tacit knowledge (e.g., policy/programme making or teaching students).

Therefore, they are difficult to standardise or even difficult to specify and to formalise (de Bruijn, 2002: 33). In addition, as Carter, et al. (1992: 35) argues, the independence of professional accountability in the public sector makes it difficult to manage professional work or service deliveries in terms of performance measurement systems. This is because professionals tend to be only accountable to their peers and thus their expertise is almost certain to be incomprehensible to the outsider.

According to de Bruijn (2002), the perverse effects of performance measurement are mainly related to 'professions' in public organisations. This is because professionals and professional government officials in the public sector are likely to regard performance measurement as a control mechanism which may fail to assess their performance appropriately. In this sense, performance measurement systems may be stressful even to managers who are scheduled to implement those and use performance information. This is because they should demonstrate their capability or account for performance results in terms of the accomplishment of targets and well-spending of resources, which measurement systems reveal (Newcomer, 1997).

Top-down approach may not reflect actual situations which occur in the front-line, but even can distort it. For example, Prior (1995: 99) indicates that the UK Citizen's Charter PIs imposed by the centre encouraged local authorities to focus on the aspects of service delivery that were susceptible to quantification and measurement rather than other important values, such as openness and participation. Therefore, they resulted in perverse consequences that better PIs results actually reduced the quality of service and benefits to citizens. Similarly, performance measurement between organisations can also be considered as a control tool of supervisory organisations or regulators. Therefore, PMs or measurement systems may result in perverse effects in those organisations regulated by them.

As a result, it is necessary for those who are assessed to feel ownership of measures or measurement systems and accept them as not diagnostic but interactive tools for performance improvement (Radnor and McGuire, 2003). In other words, performance measurement systems are strongly requested to develop through a bottom-up approach, involving those who work 'at sharp end' and those who use public services (Bouckaert, 1993; McGough, 1993; Sanderson, 2001; Radnor and McGuire, 2003). This is on the one hand because professionals tend to take themselves on board if only they feel ownership of measurement systems which they are using. On the other hand, most managers do not possess the necessary professional know-how and thus they may suffer

from specifying design features of performance measurement systems regarding what can be measured; what have been measured; and what the limitations and advantages of measurement are.

In short, professional or staff-members should be extensively involved in designing and running performance measurement systems, although managers are generally given a responsibility for setting the requirements and standards of those systems, and providing incentives/sanctions according to performance. As Pollitt (1990: 443) argues, cooperation between senior managers and professional or staff-members is very important for the successful development and use of performance measurement systems. This balance of involvement between them would allow their respective skills and experience to be combined. De Bruijn (2002: 57) indicates this as follows:

A system created in interaction has more owners and thus better chances of meaningful application rather than functioning as just a bookkeeper's mechanism for setting accounts. Interaction also improves management's professionals' trust in their mutual relations.

Staff are not the only stakeholders who should be engaged with designing and running PIs and measurement systems, because there are different stakeholders, who have different interest in performance and performance measurement in the public sector (Pollitt, 1990; Wray and Hauer, 1997; Eptsein, 1988; Sanderson, 1998; Freer, 2002). Citizens are very naturally important stakeholders of performance measurement systems because not only they have sovereignty - more directly, voting power in democracy but also public administration and management become more desirable with their participation. McKevitt and Lawton (1996: 50) argue that performance measurement systems should function as 'sources of legitimacy' in the context of clients' views rather than as a means of organisational adjusting. Therefore, performance measurement systems have to reflect a range of views of different external stakeholders, such as clients, customers, citizens and the public. For example, top-down or management-led approaches tend to be dominated by an emphasis on cost and efficiency, whereas consumers are more interested in outcomes, service effects or equity as Pollitt (1988: 81-82) and Long (1992: 63-64) argue. Sanderson (2001: 309-310) makes the following observation:

It is essential that to ensure that the perspectives of all major stakeholders are embodied in the key measures and targets...Authorities need to develop more participate approaches to performance measurement and evaluation, taking seriously notions of empowerment, particularly in relation to service users and citizens and front-line staff. This will help not only to ensure appropriate definitions of objectives and performance targets but also to spread ownership and develop capacities for evaluative enquiry amongst key stakeholders.

However, in practice, many studies show that such stakeholders as service users, consumers, clients and citizens are rarely involved in performance measurement and their interest and views are hardly reflected in measurement systems (*see* Clapham and Satsangi, 1992; Palmer, 1993; Kirkpatrick and Martinez-Lucio, 1995; Wegener, 1998).

Therefore, the involvement of service users, clients and citizens have to be encouraged in the development of performance measurement systems, although there must be a clear boundary between citizens and internal management processes (Poister and Streib, 1999: 110). One method for this suggested by the AC (1999: 15) is a 'balance scorecard' approach. This involves measuring the performance of a particular service from a variety of perspectives. Just as private organisations try to consider such perspectives of users/consumers in terms of BSC, public services can be measured in terms of service users' and tax-payers' perspective as well as the perspectives of internal management and continuous improvement. A sense of ownership of PMs and measurement systems can be desirably expanded if people are involved in designing and running those. In this context, organisational culture which ensures that this is rooted in 'normal routines' and 'ways of thinking and working' is strongly needed as Sanderson (2001: 310) argues.

6. Some examples of tools and models for performance measurement

6.1. A basic logic model for performance measurement

A range of models, framework or systems for performance measurement, which have been developed by public organisations or borrowed from the private sector, have been used in the public sector⁷³ (de Bruijn, 2002: 3). However, they can be basically said to stand on a simple logic model⁷⁴ to the extent that organisational activities are identified in the procedure of input, processes, output and outcomes⁷⁵ (so-called, the production model or IPOO model) (Tomkins, 1987; Poister, 2003; Hatry et al, 1996; Talbot, 2005). In this model, the most relevant PMs are commonly identified as the

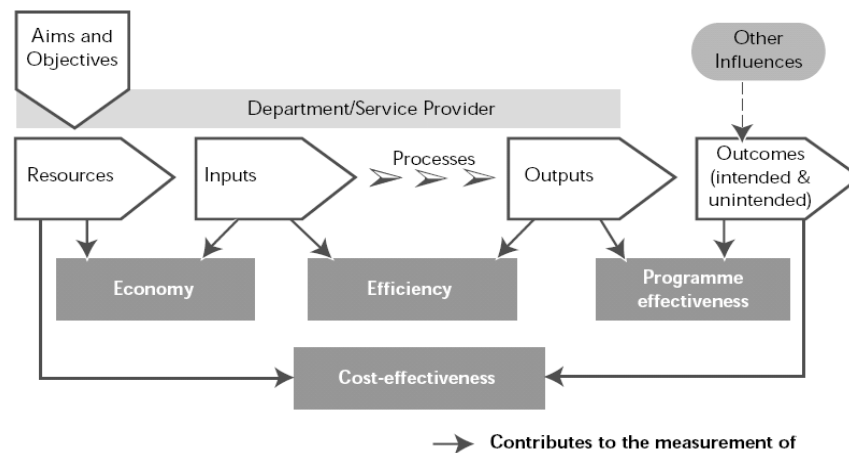
⁷³ Bouckaert and Halligan (2008:126) state that three kinds of models are generally used: generic models (e.e., ISO, BSC and EFQM); specific public sector models (e.g., the Common Assessment Framework: CAF); and country specific (e.g., Management Accountability Framework: MAF in Canada).

⁷⁴ There are a number of applied measurement tools of the three Es (Lapsley, 1996: 113) (e.g., the Fédération des Experts Comptable Européens (FEE) model, the NAO's approach to value for money, the Mayston model).

⁷⁵ There is a variation of terms regarding input, output and outcomes, such as impact, throughput or intermediate output (*see* Butt and Palmer, 1985; CIPFA, 1984; HM Treasury, 1987; Audit Commission, 1986; Levitt and Joyce, 1987; Flynn, 1986)

‘three Es’- economy, efficiency, and effectiveness, which are based on ratios of input, output, and outcomes (Figure 3-1). Economy concerns minimising the cost of resources regarding appropriate quality (i.e. the purchase and provision of services at the lowest cost consistent with a specified quality) (Flynn et al, 1988; NAO, 1988; AC, 1999a; Carter, et al, 1992). Efficiency refers to the relationship between the output of goods or services and use resources (i.e., maximum output for a given input, or minimum input for a given output (NAO, 1988; AC, 1999a). Effectiveness relates to how successfully output achieves policy objectives, operational goals and other intended effects (i.e., the relationship between the intended results and the actual results of activities and services (NAO, 1988; Jackson and Palmer, 1988; AC, 1999a). Effectiveness is often applied to cost-effectiveness in terms of comparison between outcomes and input.

Figure 3-1. Inputs, outputs and outcomes, and the three Es



Source: NAO (2001b: 2)

Implementing the three Es measurement is not easy, but complex in reality (Lapsley, 1996; Talbot, 1999). Most output or results in the public sector tend to consist of intangible human services or service-based activities (e.g., collecting money, enforcing laws, education, health and social services). The quality of output or customer satisfaction may also be problematic because public services have complex sets of customers: e.g., ‘who is the customer’ in prisons? as Talbot (1999: 23) indicates. Measuring effectiveness is more difficult since the nature of outcomes is slippery and ambiguous in the public sector as seen before (Carter, et al., 1992: 38).

In addition to the three Es, additional ‘Es’ (e.g., equity, efficacy, electability: Flynn et al, 1988) or others (e.g., acceptability, availability: Clarke, 1987) are often proposed. ‘Equity’ can give a significant meaning (Flynn et al, 1988; Pollitt, 1986). This is

because the public sector is expected to keep due process in the delivery of services. Equity⁷⁶ implies that individuals are dealt with alike, within the terms set by the law in all similar cases. Equity can thus be another bottom-line for any public services, because improving efficiency may conflict with equity (e.g., reducing money in a social security system may lead to longer-waiting or less service-time).

The IPOO model or the 3 Es has some limitations to show organisational performance and thus more detailed and comprehensive approaches or models have emerged in the private sector in the 1980s and 1990s: e.g., Benchmarking Total Quality Management (TQM), Quality Award, BSC and EFQM⁷⁷. Many of them have been broadly introduced and applied to public organisations particularly by NPM (Hendricks and Singhal, 1996; Talbot, 1999; Kouzmin et al., 1999; de Bruijn, 2002; Bouckaert and Halligan, 2008).

Below are simple introductions of some tools and techniques which are frequently used for performance management in both public and private sector, since they have approaches showing both financial and non-financial aspects of organisational performance. They are Benchmarking, Quality Award, Charter Mark, ISO 9000, BSC and EFQM.

6.2. Benchmarking

Benchmarking⁷⁸ was developed by Xerox Corporation in 1979 when they faced the low price of Cannon copier machine, and thus they identified major productivity and quality gaps against its competitor in a range of functional areas (Horvath and Herter, 1992). Benchmarking has afterwards developed into a major movement with the comparison of organisational functions and processes with other organisations for performance improvement (Talbot, 1999). According to Massey and Pyper (2005: 140), it refers to the 'progress of measuring an organisation's performance against others that may be recognised as excellent or best in class'. Benchmarking aims to identify the weak points of an organisation against superior organisations and establish means of

⁷⁶ Equity is generally protected by policy-making in the sense of neutrality and fairness between different groups or constitutional machinery in government (e.g., the parliamentary questions, ombudsmen, administrative tribunals institutional arrangements in public organisations).

⁷⁷ See Hiromoto (1988), Aguaya (1991), Oakland (1991), Eccles (1991), Kaplan and Norton (1992), Neely and Waggoner (1998) and Czarnecki (1999). According to Talbot (1999: 20), these models are categorized as: more sophisticated financial models; comparative models, such as Benchmarking; quality models, such as TQM and Quality Awards; and, holistic models, such as BSC and EFQM.

⁷⁸ The benchmarking movement originated from Japanese post-war management for analysing western management practices and incorporating the best into their own (Bendell and Boulter 1993).

improvement. In other words, the basic idea behind benchmarking is to investigate how others are doing better (Horvath and Herter, 1992: 5; Kouzmin et al., 1999: 123).

Benchmarking can be distinguished in different forms in terms of objects, targets and organisations to be compared. For example, organisations can concentrate on the comparison of products, methods and process (objects); or the comparison of costs, quality, customer and time (targets); between intra/ inter-organisations, clients or other sectors (Horvath and Herter, 1992). For meaningful competition and benchmarking, comparison has to be done between public agencies with similar goals and services (Dixon and Kouzmin, 1994; Dixon et al., 1996).

In the benchmarking process which consists of the search for the best, PI definition and data collection, the search for the ‘best of the class’ is most difficult and competing organisations are naturally reluctant in sharing sensitive information. In addition, in the public sector, it is very difficult to establish which organisation can be labelled ‘successful’ since financial indicators (e.g., revenue per employee, inventory returns) are missing (Kouzmin et al., 1999: 125). Therefore, a realistic alternative is a comparison through time or with non-competitors. In fact, many organisations in the public and private domains make comparisons through time (i.e., against their own operating results from previous periods) (Hakvoort and Klaassen, 2007: 112). Benchmarking influenced other successive models, such as ISO, BSC, EFQM and other quality assurance systems including TQM, Quality Awards and Citizens’ Charters can also deliver a benchmark for public organisations.

6.3. Quality Awards⁷⁹

According to Kouzmin et al. (1999: 129), a public quality competition award is referred to a measurement instrument which stimulates ‘innovation and quality in the public sector by the identification of excellent public organisations by independent panels and with active participation of public agencies’. This definition excludes awards given to organisations for outstanding achievements without using PIs and submitting to a competitive selection process. Quality awards basically assume putative benefits of competition: they are all based on competitive benchmarking against a set of standardised and generic criteria. Therefore, competition for an award is supposed to

⁷⁹ A range of national or international quality awards has thus been introduced and developed in the public sector: e.g., the Malcolm Baldrige Awards in the USA, National Quality Initiative in Canada, the European Quality Awards, Investors in People in the UK and the Australian Quality Award.

motivate other organisations towards excellent practices and innovation (Borins, 1995). Quality award competitions can play a role as an instrument measuring quality by using complex multi-dimensional indicators and show success factors in excellent organisations to other agencies (Haubner, 1993). In other words, it can function as an instrument to foster innovation and quality improvement in the public sector.

However, quality awards may not have a motivational function for winning because such competitions can be highly dysfunctional to organisations which do not achieve an award as Halachmi (1995) points out. Quality awards cannot have an impact on those organisations which lack elements of a learning culture (Senge, 1990; Argyris, 1992). Another limit of quality awards into the public sector is that most of them may not reveal the issues of social impact, as Talbot (1999: 21) states. Nevertheless, quality awards have an important function of raising the awareness of quality in the public sector and for facilitating research on innovation. Talbot (1999) argues that quality have become nationally and internationally recognised through quality awards.

6.4. Charter Mark

Charters or Charter Mark is a government's award scheme for encouraging and rewarding improvement in public services, focusing on service delivery issues (Talbot, 1999: 25). It thus focuses on outcome for customers or demands by users and concentrates upon service quality (Bouckaert, 1992: 4). In other words, Charter Mark generally builds on service user-provider relationship rather than citizen-state relationships (Bouckaert, 1995). Therefore, organisations are assessed against some criteria regarding service standards, access and choice, fair treatment, the effective use of resources and a complaint/redress system.

Although charters have been adopted in many countries⁸⁰, they are differently developed under the influence of contextual variables such as administrative culture, politico-economic systems and corporate interests (Bouckaert, 1995). For example, the British Citizens' Charter basically adds a quality dimension to the three Es (UK Prime Minister, 1991). Those in France and Belgium focus on the idea of accountability of

⁸⁰ Many countries adopted Charter Mark: e.g., the UK's Citizen's Charter in 1991; Belgium's Charte de l'Utilisateur des Services Publics, Canada's Service Standards Initiative, France's Charte des Services Publics and Spain's The Quality Observatory in 1992; Portugal's Charte de la Qualité des Services Publics in 1993; the USA's Putting the Customer First in 1994; and Australia's Putting Service First (1997) (see Bouckaert and Halligan, 2008: 89)

civil servants to citizens. Portugal emphasises on the idea of accountability of the state to the citizen as well as value for money.

There is one particularity of the British Citizens' Charter, because it is an award. The UK Citizen's Charter has two components: Charter Statement setting the minimum standards and the annual competition of Charter Mark Awards as recognition of excellence. Therefore, public organisations have to prove to the Prime Minister's Citizen's Charter Advisory Panel that they meet the Citizen's Charter principles for delivering service quality (UK Prime Minister and the Chancellor of the Duchy of Lancaster, 1991). In other words, in the UK Citizen's Charter, public organisations are audited in terms of PIs. The Charter Mark winners then use the Charter Mark on their products. In short, British Charter Mark recognises and encourages excellence in the provision of customer service as well as ensures standards that public organisations have to meet. The UK experience of charters might be regarded as a role model for other countries (Bouckaert and Halligan, 2008), but the quality of PIs regarding service quality in the public sector still needs to be more accurately developed (Pollitt, 1990; Carter et al., 1992; Sanderson, 1992).

6.5. ISO 9000: Quality management systems and total quality management

ISO 9000, which is maintained by the International Organization for Standardization (ISO), is a family of global standards for quality management systems⁸¹. It was established as an international standard by the adoption of the UK standard BS 5750⁸² in 1987 (Seddon, 1997) and so its first version, ISO 9000:1987 had the same structure as the BS 5750. ISO 9000 gives indications to companies as to how to develop quality management and a quality assurance system, and gives a standard to external and internal audits to assess the degree of quality management of companies. There are some general advantages resulting from ISO, such as creating a more efficient, effective operation; increasing customer satisfaction and retention; reducing audits; enhancing marketing; improving employee motivation, awareness and morale; promoting international trade (Munro-Faure et al., 1995). ISO 9000 principally fulfils customers' quality requirements and applicable regulatory requirements for customer

⁸¹ There are many more standards in ISO 9001 family: e.g., ISO 9001, ISO 9002, ISO 9003, ISO 14000, AS 9000, PS 9000, TL 9000 and ISO 13485:2003 (*see* www.iso.org).

⁸² During World War II, there were quality problems in many British high-tech industries because many of them were bombed. Therefore, factories are required to document manufacturing procedures and to prove that the procedures were followed. This was named as BS 5750 and known as a management standard because it specifies how to manage the manufacturing process.

satisfaction and continual performance improvement. It is thus often regarded as an important step to TQM (Antilla, 1993).

The latest version, ISO 9000:2000 includes three standards (ISO 9000:2000⁸³, ISO 9001:2000⁸⁴, ISO 9004:2000⁸⁵) and only ISO 9001:2000 is intended for use. It provides a number of requirements which an organisation needs to fulfil for customer satisfaction: e.g. producing quality product; checking defect; regularly reviewing the quality system for effectiveness and facilitating continual improvement. Therefore, organisations which are audited and certified to be in conformance with ISO 9001 may publicly state 'ISO 9001 certified' or 'ISO 9001 registered'. However, certification to ISO 9000 does not directly guarantee the quality of end products or services: rather, it certifies that consistent processes are applied.

There are some studies⁸⁶ regarding what ISO contributes to in companies. However, a common criticism of ISO 9000 is the amount of money, time and paperwork required for registration (Clifford, 2005). Seddon (2000) argues that it promotes specification, control, and procedures rather than understanding and improvement. According to Kouzmin et al. (1999: 123), the application of ISO to the public sector is 'still at an experimental stage'. They also argue that it focuses so strongly on quality that it omits other dimensions of performance measurement. In addition, political success might be regarded to be more important than quality-oriented management in government (Sensenbrenner, 1991). Although quality is desirable in public organisations, it may not always be desirable for various stakeholders: e.g., poor constituencies might prefer a poor quality of drinking water with lower water rates.

6.6. The Balanced Scorecard

According to Kaplan and Norton (1992; 1993; 1996a) who developed BSC, traditional accounting measures are just connected to past performance and finance so that they cannot inform future business value. Kaplan and Norton instead suggest that

⁸³ ISO 9000:2000 covers the basics of what quality management systems are and contains the core language of the ISO 9000 series of standards.

⁸⁴ The previous members of the ISO 9001, 9002 and 9003 have been integrated into 9001, and thus in most cases, an organisation claiming to be 'ISO 9000 registered' is referring to ISO 9001.

⁸⁵ ISO 9004:2000 covers continual improvement. This gives organisations advice on what they could do to enhance a mature system. This standard states that it is not intended to implementation as a guide.

⁸⁶ For example, ISO 9000 can make any company competitive (Wade, 2002; Barnes, 2000) and increase net profit (LRQA, 1993). ISO 9000 certification is also seen to open doors to markets previously closed (Brecka, 1994; Seddon, 1993; Miller, 1993). However, a study by Heras, et al (2002) finds that ISO registration creates little improvement.

they should be supplemented with additional measures reflecting customer satisfaction, internal business processes and the ability to learn and grow. The key element of BSC is thus to balance 'between short-and long-term objectives, between financial and non-financial measures, between lagging and leading indicators, and between internal and external performance perspectives' (Kaplan and Norton, 1996b: viii).

Therefore, BSC contains four perspectives to give a 'balanced' view of performance: customer, internal business processes, learning and growth, and finance. The customer perspective or satisfaction is a leading indicator of future decline, because if customers are not satisfied, they will eventually find other suppliers meeting their needs. The business process perspective or internal business processes allow managers to know how well business is running, and products and services are conforming to customer requirements. The learning and growth perspective includes employee learning and training, and organisations' cultural attitudes to both individual and organisational self-improvement. This is also a leading indicator for future growth because continuous learning and training are necessary for companies in rapid technological change on the one hand; people are main resources and further the only repository of knowledge in knowledge-worker organisations on the other. The traditional perspective for business (the financial perspective) is also important. Timely and accurate financial data is always a priority, and financial-related data and cost-benefit data are thus requested in this category.

Kaplan and Norton (1992; 1993; 1996a; 1996b) indicate that BSC can be used to clarify and update budgets; identify and align strategic initiatives; conduct periodic performance reviews to learn about and improve strategy. BSC provides feedback around both the internal business processes and external outcomes and thus enables organisations to clarify their vision and strategy and translate them into action (Chesley and Wenger, 1999; Mac Adam and Walker, 2003). According to Mac Adam and O'Neill (1999), in contrast to traditional measurement, BSC has clear advantages for evaluating all aspects of public organisation. Talbot (1999) indicates that BSC is not just a model of organisational performance, but that it could also identify conflicting measures and allow for prioritisation (e.g., economic use of resources verse adequate staff remuneration). The part that performance management and a scorecard could play in public organisations was outlined in US guidelines (published in 1993 and 1994). In 1998, the Accounts Commission for Scotland prepared a public sector management

paper which promoted the development of scorecards to deliver performance management (MacAdam and Walker, 2003).

6.7. EFQM Excellence Model

The European Foundations for Quality Management (EFQM) Excellence model⁸⁷ holistically assesses organisational performance in recognition of the idea that organisations' sustainable excellent results for customers and society can be achieved in terms of leadership, strategy, partnerships, resources and processes. Therefore, it consists of nine elements for assessment: five enablers covering what an organisation does and four results related to what it achieves. Enablers are leadership, policy and strategy, people management, resources and processes, while results are customer satisfaction, people satisfaction, impact on society and business results. Therefore, it can help organisations systematically identify the nature of business and develop vision and goals for the future. In fact, many organisations use the EFQM model as a basis for operational and project review to balance priorities, allocate resources and generate realistic business plans. Although this model has been widespread and used amongst many European organisations (Yang, et al., 2001: 3789), some problems in accuracy and consistency of scoring are often indicated because of the generalised definition of the model's criteria (Lascelles and Peacock, 1996; Porter and Tanner, 1998).

In the consideration of the characteristics of public organisations (e.g., different stakeholders, less competition and the difficulty of 'impact on society'), EFQM Excellence Model was transformed in 2002 as the Common Assessment Framework (CAF)⁸⁸. It is provided as a self-assessment framework, which has less rigorous process than a full assessment of the EFQM model, and widely used by European public administrations.

6.8. Cautious use of generic models in the public sector

Performance measurement has become more sophisticated and there are several well understood models upon which it is based, although there are difficulties in

⁸⁷ It was released in 1999 as a re-engineered version of the 1991 European Business Excellence model (BEM) and as the basis for the EFQM Excellence Award. It is continually updated, developed and administered by EFQM in Brussels.

⁸⁸ CAF is a result of co-operation among the EU Ministers responsible for Public Administration in order to introduce quality management techniques to improve performance and promote cooperation in modernising government and public service delivery in EU Member States (*see* www.eipa.eu).

applying those models directly to the public sector. Given the complexity of public sector objectives, the effectiveness aspects of performance measurement need to be stressed and balanced approaches in such holistic models as BSC and EFQM may allow public organisations to focus on the various dimensions of performance and reflect the perspectives of different stakeholder (Talbot, 1999; Bouckaert and Halligan, 2008). In fact, many private or public organisations have adopted such generic holistic models.

However, generic or standardised models should be used with more caution because of the characteristics of the public sector. For example, organisations may find the difficulties of using those models because of certain situations which they face. This would be more serious to public organisations that are placed in the centre of politics on one hand. Those models were developed for private organisations on the other (Talbot, 1999: 22). For example, Chesley and Wenger (1999) note that there are certain ‘hard’ and ‘soft’ constraints in using BSC in public organisations. The former are various regulations, institutionalised budget cycles and organisational charters. The latter are the culture of the public sector (e.g., ‘bureaucracy’), rigid co-ordination and reallocation of resources and the lack of staff expertise. In addition, the weakness of all these models can also be indicated that they are ‘purely hypothetico-deductive in nature and have little empirical validation’ as Talbot (2005: 507) argues.

As a result, generic models need to be adapted and placed within ‘a context that encompasses the relevant culture, structure and strategies, especially in regard to defining customers in the public sector’ as Mac Adam and Walker (2003: 880) notice.

7. The conditions of good performance measurement systems

As Bouckaert and Halligan (2008: 106) argue, using performance measurement systems requires ‘a degree of acceptance by a majority of those involved’. In this sense, when performance measurement systems or a set of measures (or PIs) is developed in public organisations, it is necessary to identify how they are good or accepted by stakeholders, such as managers and professionals, or citizens and clients

Problems with the absence of a performance measurement system comprehensively operating in the public domain have resulted in the emergence of checklists for good performance measurement systems as points of reference for stakeholders. In fact, there have been many attempts to present conditions or characteristics of good PI sets and measurement systems as checklists in the literature

(table 3 in Appendix). Those frequently indicated and strongly emphasised are such terms as comprehensive, bounded, relevant, valid, timely, reliable, clear, unambiguous, cost-sensitive, consistent, controllable and feasible (Jackson, 1988; Likierman, 1993; Hatry, 1980; AC, 2000a; 2000b; Poister, 2003). For example, performance measurement systems or measures should focus on organisational objectives and be useful for management, providing with useful information. They should also be clear, concise and unambiguous so that measurement and comparisons can be accurate. Based on accurate data, they should be measure the controllable things of an organisation and reflect the views of relevant stakeholders.

However, this overview of good PMs or measurement systems can be seen as contradictory or troublesome in itself. For example, Lapsley (1996: 115) indicates that ‘clarity’ (simply well-defined and easily understood) may not go together well with some criteria, such as contingency, comprehensiveness and boundedness. In addition, the criterion of ‘comprehensiveness’ (including all important indicators reflecting all those aspects of behaviour that are critical to managerial decision-making) is likely to conflict with ‘consistency’ or ‘boundedness’ (selecting a limited number of key indicators)⁸⁹.

Each criterion is also negatively affected by problems related to its implementation. De Bruijn (2002: 64) argues that comprehensiveness and consistency are problematic to implement in performance measurement systems, since the former strongly results in perverse behaviour and the latter cannot be justified with the multiple characters of public products.

Lapsley (1996: 117-118) broadly categorises problems occurring when these checklists are in reality sought to meet as ‘ambiguity’, ‘displacement’, ‘omission’ and ‘conflicts’. First, ‘ambiguity’ can be found instead of clarity, because it is often impossible to disentangle the effects of many public services such as education, social work and health. Second, ‘displacement’ is related to quantifying services and outcomes to develop PIs or measures. Those intangibles may be driven out or displaced by those quantifiables receiving most attention. Third, the omission of significant measures may happen by the criterion of targeting a few key indicators (e.g., ‘bounded’ numbers by Jackson (1988); ‘appropriate’ numbers by Likierman (1993)). Finally, conflicts between

⁸⁹ Carter, et al. (1992: 45) argue that to reconcile these contradictions, the greater a number of PIs might be applied in more heterogeneous organisations.

the professions in public services and PMs might damage their benefits and this can cause some perverse effects.

Another problematic aspect of these criteria or conditions for good PMs or measurement systems is that they mainly involve the technical soundness of measures, not the use of measures in public organisations (Bouckaert, 1993: 32). According to Carter, et al (1992: 45), all these conditions for good measures or measurement systems converge towards a more subjective dimension of 'acceptability'. They argue that the performance measurement systems in organisations is accepted as much politically as technically in that those are regarded as an instrument of management control which may lead to wage cuts and increased workloads. Therefore, they (ibid: 45) indicate that the successful introduction of measures or measurement systems is contingent on the availability of appropriate managerial skills and efforts as well as the development of those that are meaningful to staff.

Likierman (1993: 15-21) classifies checklists into four categories along the process of using PIs (table 4 in Appendix). For example, he explains how to develop or design PIs regarding constructing ownership, managers' controlling, avoiding short term focus, and building proper targets/standards in the second step of preparation. With regard to the right use of results to enhance performance and accountability, he argues that results of performance measurement should be interpreted in the context in which they are produced, and be used as guidance. Although Likierman's lessons are more multi-dimensional, they are not fundamentally free from Lapsley's criticisms mentioned above. For example, in his first category, including all essential elements may be inconsistent to appropriate numbers of PIs (*see* 1.a and 1.b in table 4 in Appendix). This model nevertheless presents a more dynamic picture of the process than the other checklists (Lapsley, 1996: 116): e.g., its guidance on the need to revise PIs and to reassess their use in the context of internal and external relationships (*see* 3.a and 3.e in table 4 in Appendix). Similarly, Bouckaert (1993: 31) concludes that traditional focus⁹⁰ for good PMs and measurement systems is mainly on 'validity' which refers to the 'internal strength' of a mechanism, a theory, a system and a classification'. However,

⁹⁰ He concludes that all criteria, mentioned by Usilaner and Soniat (1980), Hatry (1980), Hust (1980) and Van de Kar (1981), have to do with the technical soundness of measures or PIs, except the criteria 'mission-oriented' and 'discourage perverse behaviour' related to the use or potential use of the measure. These criteria include countability; uniformity over time, timeliness; readily available data; accuracy; comprehensibility, unequivocalness; comprehensiveness; congruence; reproducibility; objectivity; selectability; tangibility; homogeneity; controllability; data collection costs; directness; mutual exclusiveness, uniqueness; process definability; and quality indentifiability. He argues that this technical soundness guarantees a valid measure (Bouckaert, 1993: 32).

this one-dimensionality of validity cannot be sufficient for response to environmental changes of public organisations becoming complex.

In this sense, Bouckaert (1993: 31) argues that effective performance measurement systems have to meet two other conditions of ‘legitimacy’ and ‘functionality’ simultaneously with ‘validity’. In other words, they should measure what is to be measured and produce usable data (validity); they should be legitimate to every stakeholder (legitimacy); and they should provide identifiable benefits to public organisations (functionality). First, valid PMs are ‘sound, cogent, convincing and telling’. This means that they are ‘well grounded or justifiable, relevant and meaningful, logically correct, and appropriate’ to the end in view (Bouckaert, 1993: 31). According to Bouckaert (1993: 37), the validity of a performance measurement system increases if:

- The non-zero hypothesis is applied (governments is important producers of goods and services and thus output and outcome should be measured more strongly)
- The best practice frontier becomes a point of reference
- Indicators are substituted for measures
- Measure desirability rather than data availability becomes the criterion
- Quality is taken into account.

Second, the idea of legitimacy is derived from one of the most important characteristics of public organisations, ‘democracy’, which is related to different stakeholders and a range of values in the public sector. Therefore, effective measures must be accepted not only by the top management but also by lower level employees and further by clients, consumers and citizens. In order to produce and maintain legitimacy, it is necessary to create ownership by internal stakeholders in terms of co-designing or at least approving PMs or measurement systems (Ho and Coates, 2004; Bouckaert and Halligan, 2008). Bouckaert (1993: 34) argue, ‘if not developed by the people who will be subject to them, [they] will at least be approved by those who will be subject to them’. Therefore, PMs may suffer from a lack of legitimacy within organisations if they are used only for the purpose of judging, evaluating or discharging responsibilities (Bouckaert and Halligan, 2008: 105).

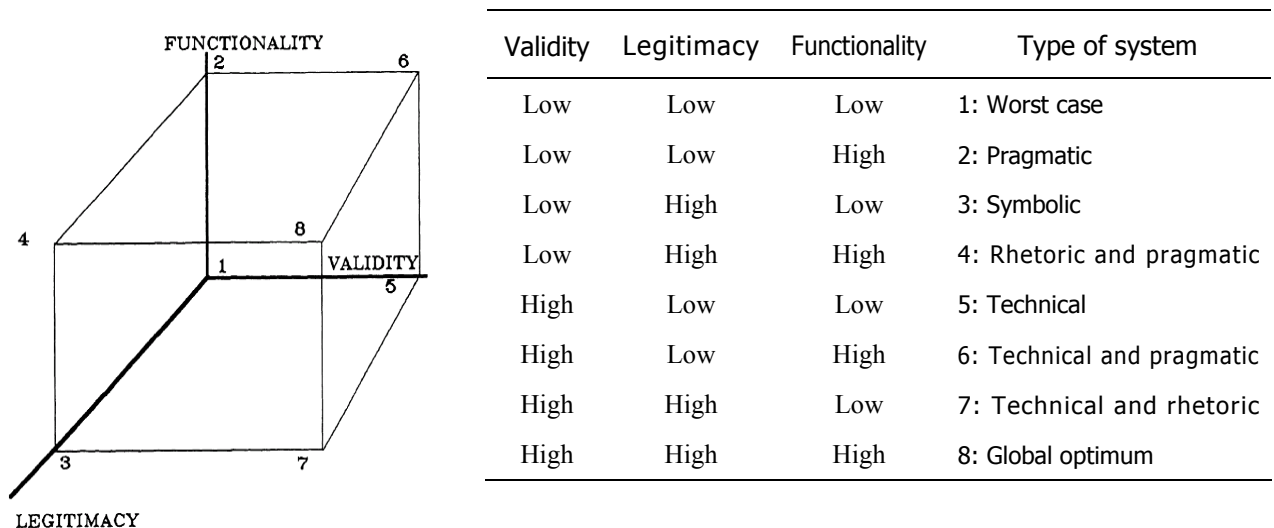
Legitimacy also requires opening up performance measurement systems to citizen involvement and this has indeed been encouraged (Epstein, 1988; Wray and Hauer, 1997), although it is smaller than the involvement of internal stakeholders (Poister and Streib, 1999: 110). This is because citizens with voting power are also service users and tax-payers as well as citizen involvement helps to ensure that public organisations can produce and deliver services more efficiently and effectively. Bouckaert (1993: 37) indicates, ‘when such openness occurs, client groups will organise themselves and

interfere, volunteers will participate in all stages of production, and citizens will show more interest in the public sector'. Ho and Coates (2004) also indicate that PMs or measurement systems should serve partnership for civic society in terms of allowing citizen involvement. As Bouckaert (1993: 37) argues, the legitimacy of PMs and measurement systems becomes reinforced, along with internal and external openness moving 'from a top-down to a top-down and bottom-up system' and 'from a closed system (internal) to an open system (internal and external)'.

As previously investigated, performance measurement systems are expected to contribute to goal achievement, performance improvement and accountability enhancement. They are directly beneficial for decision-making and managerial functions such as finance, personnel and information. In short, they have to contribute to the maintenance or to the development of the organisation. Otherwise, they become useless or even cause dysfunctions and perverse behaviours against organisational goals and objectives. Therefore, Bouckaert (1993: 34) argues that functional measures should not 'contradict the intended goals and purposes of the organisation' and should have an informing function for performance improvement.

Based on this equation, Bouckaert (1993: 39-40) presents eight types of PMs and measurement systems (figure 3-2).

Figure 3-2. The three dimensions of performance measurement systems



Source: Bouckaert (1993: 40)

Each of three different dimensions has two extreme positions from zero to one. On the validity dimension, extremes are poor measures which are not sensitive at all and

solid measures that are very sensitive and thus lead to a high level of validity. On the legitimacy dimension, measures or measurement systems might be developed from outside and above (i.e., external and top to bottom) or from inside and rising from the lowest-run employees or middle management (i.e., internal and bottom to top). The bottom to top approach leads to internal ownership and bottom-up support, and finally creates a high level of legitimacy. On the functionality dimension, they can help the achievement of organisational goals and objectives and staff-motivation, but they may also result in perverse effects and dysfunctional consequences. Greater functionality contributes to better organisational performance. Bouckaert (1993: 39) argues, ‘all three dimensions have to be optimal’ in that a weakness on one of three dimensions may ‘undermine the whole performance measurement system’.

This model does not give a parade of conditions for good performance measurement systems, which might result in trade-offs between each other, but a three-dimensional view. In terms of this model, PMs or measurement systems can be judged more comprehensively. Therefore, this present thesis will apply Bouckaert’s model to assess how CPA and JPA are valid, legitimate and functional as performance measurement systems (chapter 6 and 8).

This chapter examines how to develop appropriate performance measurement systems to address or overcome dysfunctional outcomes and difficulties in the public sector. Following the review of several models that have been widely used in the public sector, it analyses conditions for good performance measurement in government. This can be a measure for the analysis of how robust and appropriate the frameworks of CPA and JPA are. The next chapter will examine the assessment objects of CPA and JPA – local governments in England and Korea, since it is useful to review their functions and relations to the centre for the understanding of what both tools assess in practice.

Chapter 4. Local Governments and Accountability in England and Korea

Prior to exploring CPA in England and JPA in Korea, it is necessary to understand what powers and functions local government has and how it relates to central government in each country. This is because CPA and JPA are performance assessment systems managing local government from the centre. Therefore, understanding local government functions helps to understand what is to be measured, and examining relations between local and central government can give a logical basis of CPA and JPA which assess the performance of a public body elected by residents.

The objective of this chapter is thus to identify the key features of local governments in England and Korea: for example, its legal status, structures, powers and functions, finance systems and relations to central government. Finally this chapter examines the accountability of local government to the centre and so finds the logical basis of central management of local government performance.

1. Local government in England

1.1. Legal status and structure

There are usually formal written constitutions in most European countries in which the protection and the principle of local self-government are found.⁹¹ However, the sovereignty of Parliament cannot at least in theory be restricted in the UK since there is no formal constitutional law. Thus local government is not constitutionally protected (Chandler, 2001; Wilson and Game, 2002). However, the contribution of local government has currently led to the strong support of a political consensus, which is the equivalent of a constitutional recognition of local government (Bailey, 2004: 252). For instance, a constitutional basis and protection for local government are found in a draft written constitution for the UK, which was put forward in the early 1990s by the Institute for Public Policy Research. It stipulated its exact functions, boundaries, tax-raising powers and mechanisms for equalising grants (IPPR, 1991). In addition, the European Charter of Local Self-Government 1985, which was ratified in 1998 by the

⁹¹ Examples of this are the French Constitution of the Fifth Republic and the Basic Law of the Federal Republic of Germany (Leigh, 2000: 31).

UK government, obliges nations to give a constitutional status to their local government and guarantee adequate finance (Leigh, 2000: 30). In this sense, the lack of constitutional support for local government in the UK does not seem to disadvantage it in any significant way and there are many individual Acts of Parliament regarding its legal status, power and functions (e.g., the Local Government Act 2000, the Local Government Finance Act 1992).

As an external structure of local government, local authorities in England are organised by a single tier (unitary) or two tier structures (lower-upper). However, lower tier local authorities such as districts are not subordinate to upper tier such as county councils, because this two tier structure does not mean a hierarchy but functional separation between them. There are 388 local authorities in England (except for parish, town and community councils), which are structured as the shapes of a single-tier or a two-tier structure. They are currently 47 unitary authorities⁹²; 34 counties split into 238 districts⁹³; and 36 metropolitan districts⁹⁴ as unitary authorities. London has its own structure, the Greater of London Authority (GLA) and 32 Boroughs⁹⁵ (*see figure 1 in Appendix*)

Local government was traditionally governed by elected councillors. The full councils possessed all authority in related to their own policies and budgets and sub-committees consequently deserved the responsibility for the council's policy. According to the white paper Modern Local Government (DETR, 1998a), however, the traditional committee structures led to 'inefficient and opaque' decision making.⁹⁶ A clear separation between the making and execution of council decisions and the scrutiny of those decisions was introduced in the Local Government Act 2000 for the first time, to enhance the efficiency, transparency and accountability of local government (DETR, 1998a). This Act (s11-12) obliges all local authorities in England and Wales to choose one of three political management structures of executive or propose acceptable

⁹² This total includes the Isles of Scilly, which has a unitary council but is often considered as a district of the county of 'Cornwall and the Isles of Scilly' for coding purposes.

⁹³ The two-tier structure currently exists in only England, particularly in rural areas. Each county council contains 4 to 14 district councils.

⁹⁴ These used to be within the boundaries of 6 metropolitan counties, which were abolished in 1986 (LGA, 2003).

⁹⁵ In London, there is another independent local authority-city of London which is often counted as a local government. If it is included, therefore, the number of local government in England is totally 389.

⁹⁶ Decisions were taken behind closed doors by political groups or even a small group of key people within the majority group. Consequently, many councillors have little influence over council decisions. There was also little clear political leadership and so people often did not know who was really taking the decisions and to praise or to blame (DETR, 1998a: 18).

alternative arrangements⁹⁷, although the full council formally decides on a new constitution, policy framework and budget as the central decision making body.

The first form is 'Mayor and Executive Model' which consists of a mayor elected by the whole electorate, and two or more councillors appointed to the executive by the elected mayor without council approval. The substantial powers (e.g., proposing and conducting policy) belong to the mayor⁹⁸. The 'Leader and Cabinet Model' consists of a councillor elected by the full council as the executive leader, and two or more councillors appointed to the executive by him/her or the council. This model is similar to the previous structure: an unofficial executive based on the leadership of majority party in local government. Therefore, it has been adopted by most local authorities⁹⁹ (Wilson and Game, 2002; Stewart, 2003). The 'Mayor and Council Manager Model' composed of an elected mayor and an officer (the council manager) appointed/replaced to the executive by the council. The council manager is responsible for all executive decisions and the mayor's role is primarily limited to influence, guidance and leadership rather than direct decision making.

Although any of these models might be locally acceptable, every council must have one overview and scrutiny committee of non-cabinet councillors, politically balanced between each party. It implements activities to secure accountability of its executive, such as policy/decision review, making policy and budget proposals and performance monitoring. Councillors are elected to a four year term¹⁰⁰ and the electoral system for them is based on each successful candidate winning a plurality in their voting district (first past-the post)¹⁰¹.

On the other hand, local government is structured into departments with officers and other employees who administer local government and execute policies and budgets. Departments are often separated into service-producing departments and central/coordinating departments. A chief executive as the head of a council's

⁹⁷ Alternative arrangement must be approved by the Secretary of State as more suitable to the council's particular circumstances than any of the above models.

⁹⁸ The budget and policy framework proposed by the mayor can only be altered if two-thirds of the council vote against it (Statutory Instrument 2001, No.3384, Schedule1, Part1, s 7-13).

⁹⁹ For the present 2006, among unitary councils Hartlepool, Middlesbrough and Tobay adopt the Mayor and Cabinet Model, while Stoke-on-Trent in the Mayor and Council Manager Model. Hackney, Lewisham and Newham Borough as well as GLA in London, Doncaster and North Tyneside as a metropolitan borough adopt the Mayor and Cabinet Model. Bedford, Mansfield and Watford among district councils also chose the Mayor and Cabinet Model.

¹⁰⁰ The LGA 2000 provides three options for elections of councillors: simultaneous elections for all councillors every four years; elections every two years with half of them retiring in each election year; elections in three years in every four, with councillors retiring by thirds.

¹⁰¹ Exceptionally, in the GLA councillors are elected by a single transferable vote system, which is a type of proportional system: people can choose candidates within and between parties.

administration is in practice responsible for coordinating departments and providing services.

1.2. Power and function

According to the LGA 2000 (s 2), local government has the power to do anything to achieve economic, social and environmental well-being in its area: e.g. raising money, incurring expenditure, making agreements and/or co-operation with others, and providing staff, goods and services. However, local government is subject to the *ultra vires* doctrine¹⁰². This means that local government may only exercise such powers as are ‘conferred expressly by or derived by’ reasonable implication from statute (Bailey, 2004: 258). Local government must, therefore, be lawfully legitimate in doing any action and its activity with no legal justification might be investigated and stopped by the court (Chandler, 2001: 35).

In addition to its democratic role, local government is responsible for the provision or delivery of a range of public services which are closely related to people’s ordinary lives. It also implements many policies and legislation which are initiated by central government (Wilson and Game, 2002: 113). In fact, local government covers various functions (e.g., from advice to regulation) and provides a wide range of services: e.g., education, transport, housing, environment, planning, social service and culture service (table 4 in Appendix) (Gray, 1994:15). The most crucial function is education with the biggest expense. For example, in 2003-04, it spent financial resources for education (31%), social services (16%), cultural and environmental and planning (11%), housing (14%) and transport (8%) and police and fire (10%) (table 7 in Appendix). Police service has not been provided by local government since 1985, although it still has the power to influence police services through police committees which control police authorities¹⁰³.

Leach and Stewart (1992: 10-19) identify four primary roles for local government: service provision; regulation (e.g., licensing, inspection, registration and certification); strategic planning (e.g., a longer term and authority-wide planning framework); and promotion and advocacy (of other business or voluntary organisations by loans or grants). Wilson and Game (2002: 118) similarly present the four services of local

¹⁰² This is a Latin term which means ‘beyond the power’.

¹⁰³ The Police and Magistrates Courts Act 1994 changed police authorities into independent authorities which are controlled by police committees, but they are usually influenced by the Home Office. Exceptionally London Metropolitan police is controlled by the GLA.

government: need services (e.g., education or social services); protective services (fire and rescue or the police); amenity services (highways, refuse disposal, and environmental health); and facility services (libraries, museums and recreational centres). According to Chandler (2001: 40), English local authorities focused on developing economic infrastructure and supplying welfare services until the mid twentieth century and then have been more concerned with regulatory and developmental roles. Local government has provided strategies for the local community and appropriate outcomes by effective using of resources in terms of increasing cooperation with central government as well as other political, social and business groups/organisations in its area.

In many various kinds of local authorities in England, the question arises about who is responsible for providing which services. Unitary authorities are of course fully responsible for local services. Counties and districts divide the responsibilities for public services. The former function regarding most local services such as education, transport, strategic planning, fire services, social services and libraries, whereas the latter are responsible for local planning, housing, local highways, building, environmental health, refuse collection and cemeteries. The function of the GLA is related to co-ordination and larger scale tasks with its functional bodies¹⁰⁴, while London boroughs deal with local matters (table 6 in Appendix).

1.3. Finance

Local government spending is identified two main types: revenue or capital expenditure (the Local Government Finance Act 1992). The former covers the day-to-day spending needed to keep services running, while the latter is a spending which produces longer-term assets (e.g., for building schools and roads). Capital investment and revenue expenditure are linked because the capital cost of new assets is often spread by a series of payments on the revenue account (House of Common, 2002: 7). Local government has focused less on capital investment because of the pressure of central government on capital spending (Wilson and Game, 2002: 180). Therefore, approximately 90% of total expenditure of local government belongs to revenue account expenditure and only the remainder is dedicated to capital spending (*see* ODPM, 2005a).

¹⁰⁴ The GLA has four functional bodies: the Metropolitan Police Authority (MPA), the London Fire and Emergency Planning Authority (LFEPA), Transport for London (TfL), the London Development Agency (LDA).

There are four main methods financing the current or revenue expenditure of local authorities: council tax, general grant (RSG) and specific grant from the central government, business rates or national non-domestic rate (NNDR), and charges (Travers and Esposito, 2004). The biggest finance resource of local government is generally grants from central government and the next is council tax. For example, from 1998/99 to 2003/04, total grant income of local government annually took over the 61% of its total income while council tax took around 18% of that (table 7 in Appendix). There are different types of revenue grants. Formula grants are distributed by formula and have no restrictions on spending: e.g., Revenue Support Grant (RSG), redistributed NNDR¹⁰⁵ and formula Police Grant. Specific formula grants are distributed outside the main settlement by formulae, based on appraising bids or other rules on entitlement. Some of these are ring-fenced grants, which fund particular services or initiatives of national priority and other unfenced grants which have no restriction on spending are called targeted grants. On the other hand, specific grants are spent on purposes designated by the central government. Council tax is the main source of directly raised local income and the only local taxation in the UK. The revenues raised by council tax can be spent at the local authority's discretion. Charges come from rent and services of local government such as transport, car park, school meals and leisure facilities. Capital investment of local government is also financed in four ways: borrowing¹⁰⁶, capital receipts¹⁰⁷ and capital grants¹⁰⁸, and revenue income from on the revenue account (Travers and Esposito, 2004: 47-55).

The expenditure of local government comprises approximately a quarter of all public spending in the UK which is up to nearly nine percent of the UK GDP over 1995-2004. It is constantly almost a third of the expenditure of central government (table 7 in Appendix). However, the financial contribution of council tax is limited to only 5% of all taxes to the total revenue of government (*see* ODPM, 2005a). As a result, there is a big funding gap between the share of local government in public expenditure and tax revenues (figure 4-1).

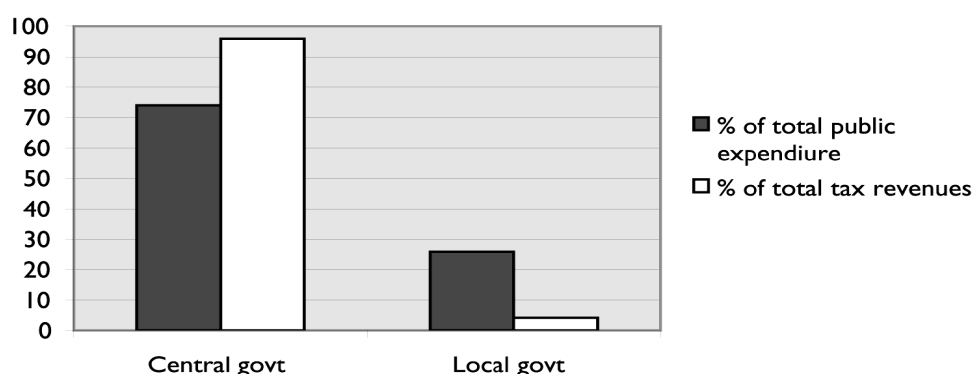
¹⁰⁵ Since 1990, rates on non-domestic (business) property have been nationally set by central government (NNDR), but this is still collected by local authorities, and the total amount of NNDR is distributed to local authorities according to population.

¹⁰⁶ The right of borrowing permission belongs to the DCLG. In the case of borrowing foreign exchange, local government has to get the agreement of HM treasury in advance.

¹⁰⁷ Capital receipts are the monies which councils receive when their capital assets are sold and/or rented.

¹⁰⁸ They can receive capital grants for capital expenditure from central government and other sources, such as the European Union and the National Lottery. The capital funds from EU are through its structural funds, like the European Regional Development Fund (ERDF) and the European Social Fund (ESF), and its focused programmes.

Figure 4-1. Funding gap between the central and local governments in the UK



Source: Joumard and Kongsrud (2003: 11)

Local government inevitably depends on central government for fiscal balance in the form of grants (Travers and Esposito, 2004: 12). On average¹⁰⁹, central funding currently supports 75% of local government spending, and the level of grant is thus a major determinant of local revenue. This might cause a lack of the accountability of locality (AC, 2003: 4). On the other hand, this over-dependency of local finance on central government can mean over-intervention by central government in local government and the fragility of local autonomy in the UK. This is because finance is an essential factor determining the capacity of local government to provide public services and thus it has long been believed as a vital factor for local autonomy (Leigh, 2000: 32).

1.4. The relations between central and local government

In England there is ‘a constant stream of communication’ in a form of control, advice or requests between local and central government (Chandler, 2001: 77), but most formal linkages between them are controls, orders and commands, which are often expressed in the form of legislation and statutory instruments¹¹⁰. This is because the *ultra vires* principle regulates local government and thus its powers exist in statutory restrictions of central government. In addition, there is administrative intervention in local government by central government. According to the LGA 1999, central government can broadly intervene in local authorities when they fail to manage financial soundness or deliver good quality services. This may be just an order for those

¹⁰⁹ There is wide variation both between individual authorities and regionally. The lowest regional average proportion of local funding is for London, with 19%, whilst the highest is for the South-East with 25% (ODPM, 2004: 59).

¹¹⁰ They could be divided into two categories: those for the operation principles of local government, such as the Local Government Act 2000, and for the guides or standards of local public services, such as the School Standards and Framework Act 1998 and the Housing Act 1988.

councils to take an action, but in serious cases, their functions can be transferred to other bodies or they can be managed by other organisations (franchising management)¹¹¹ (ODPM, 2003a; chapter 5).

Audits and inspection in local government are also frequently used by central government as tools for ensuring its accountability. According to Wilson and Game (2002: 157), they have been increasingly used in the New Labour government while judicial reviews were strongly used in the Thatcher government. There are mainly three independent bodies inspecting English local government: the Audit Commission, the Commission for Social Care Inspection (CSCI) and the Office for Standards in Education (Ofsted). Whereas the CSCI concerns improving social care services and Ofsted relates to enhancing the qualities of education services, the overall responsibility of audit and inspection for local government is laid on the AC (*see* chapter 4).

Other part of the relations between central and local government is cooperation involving information, advice and consultation (Chandler, 2001: 78). They constantly exchange information and data through formal and informal routine channels. For example, there are circulars and guidance to local government by central government, which contain advice and guidance on service delivery as well as explanation of laws and central policies. Many statistical materials and data flow from local to central government to support reports and policies of central government. Public hearings are occasionally held when central government policies change. According to Chandler (2001:78), British local government has been increasingly consulted by central government through the process of legislation.

The Local Government Association¹¹² (LGA), which is a voluntary lobbying organisation for English and Welsh local authorities toward central government, plays an important role between local and central government (Stewart, 2000: 102). It is often requested to take part in the process of central government policy regarding local government in that it represents local government and delivers local issues to the centre. It is usually consulted with policy change or given a certain role for improving local performance. For example, the LGA often delivers a range of comments to the centre

¹¹¹ The Framework for Partnership, which was signed in 1997 between the ODPM and LGA, contained more detailed conditions about engagement or intervention. It was revised in 2003 as 'Protocol on central government engagement in poorly performing local authorities' (ODPM, 2003a).

¹¹² The LGA was established in 1997 by the merger of 3 prior organisations, each of which represented County, District and Metropolitan Councils. It represents all local authorities, fire authorities, police authorities, national park authorities and passenger transport authorities (around 500 authorities). The Welsh Local Government Association is a constituent part of the LGA, but retains full autonomy in dealing with Welsh affairs. .

and provides guidance booklets about new central policies to locality. Its research organisation, the Improvement and Development Agency (IDeA) formally takes part in the process of CPA.

The Agreement '*A Framework for Partnership*', which was signed in 1997 between the Department of Transport and Local Government and the Regions (DTLR) and the LGA, governs relations between central and local government. The agreement acknowledges that their co-objectives of public service improvement could be delivered by their partnership and thus they should respect each other's role and work jointly in policy development and implementation. They also agree on full and effective consultation on all matters of common concern and the exchange of information. The agreement also establishes the Central Local Partnership Meeting where major issues affecting local government including local finance are identified by central government and the LGA. However, the LGA has limitations in representing or controlling the totality of local government as a trade union in that its members consist of a variety of local authorities with diverse interests (Stewart, 2000: 103).

Other examples of partnership, cooperation and co-work between the centre and localities are Local Public Service Agreements (LPSAs)¹¹³ initiated in 2001 and Local Area Agreements (LAAs)¹¹⁴ created in 2004 by the ODPM (Stewart, 2003; Wilson and Game, 2006). In these frameworks, individual local authorities propose a set of priorities for their service delivery, and then negotiation and agreement with central government is set up. First, local government has the task of achieving a dozen performance targets under the LPSAs whereas central government facilitates its achievement by providing financial supports (e.g., pumping priming grant (PPG)¹¹⁵ and additional borrowing) and flexibility such as de-regulation. Local government can, as incentives, obtain a Performance Reward Grant (PRG)¹¹⁶ from the centre after its performance achievement is measurably verified. Second, as an agreement based on

¹¹³ LPSAs were developed in 2000 from complementary ideas in the LGA and central government. It was piloted with 20 authorities, starting in late 2000, and a rollout to all upper tier authorities began in 2001. Its second ground started in 2004 reflecting local priorities.

¹¹⁴ LAAs were piloted with 21 authorities in 2004 and a national roll out to all top tier authorities in England was scheduled by 2007.

¹¹⁵ PPG is available to local government at the beginning of LPSAs. An example would be a grant for staff training to skill workforce to deliver LPSA. Its need is assessed for each component of a council's LPSA proposal.

¹¹⁶ PRG is the main financial reward for achievement of the agreed outcomes, and are worth 2.5% of one year's net revenue expenditure of a local authority. This reward is evenly distributed across all twelve agreed targets.

local Sustainable Community Strategies and the Local Strategic Partnerships (LSPs)¹¹⁷ in each local area, LAA aims to deliver better service outcomes in terms of the partnership between local government and other local organisations. LAAs have some mandatory targets and indicators for service blocks and financial resources are pooled from the existing budgets of the respective departments involved.

Many ministries link with local authorities, but the DCLG is mainly responsible for policies concerning local government¹¹⁸. It is responsible for making policies towards the local government system as a whole (e.g., structures, powers, areas and finance) and producing individual policies on local services¹¹⁹ (Chandler, 2001). It also has the authority to allocate financial resources such as local taxation, various grants and local finance borrowing. Many other departments, such as Education and Skills (DfES), Work and Pensions (DWP) and the Home Office are in intimate relation with local governments in the departments' own responsibility areas by virtue of regulatory or promotional mechanisms. For example, the DfES covers a wide range of matters relating to schools which are governed by local government.

The nine regional offices in England, called the Government Offices for the Regions (GORs)¹²⁰, are significant in the relationship between central and local government in that they contain powers delegated from the ten departments¹²¹ as well as control government expenditure (more than £9 billion in 2004). They also contribute to the delivery of LPSAs and LAAs on behalf of their sponsoring departments through negotiation and evaluation. They also give advice and information to local government and play some roles as informal channels between central and local government.

Although the process of local financing comprises a variety of conferences and consultations, an extreme intervention occur in this area – a capping system (or ‘rate

¹¹⁷ An LSP consists of the different parts of the public sector, business, community and voluntary sectors to support each other and work together at a local level. It is responsible for the development and implementation of Community Strategies and LAA and for agreeing the allocation of neighbourhood renewal funding.

¹¹⁸ It was established in 2006 as the successor of ODPM which was responsible for housing, urban regeneration, planning and local government. With the function of the ODPM, it has a new remit to promote community cohesion and civil renewal, previously undertaken by the Home Office, and equality policy previously split between the DTI and the Home Office.

¹¹⁹ All the parts of the DCLG are strongly connected to local government, but the Local and Regional Governance Group especially has a main linkage with local government, concerning local government finance, local government policy, performance and practice.

¹²⁰ GORs under the control of the DCLG were founded to improve the way central government delivered its policies, and to align the delivery of national and local priorities more effectively through integrating a variety of separate provincial branches of the departments in 1994.

¹²¹ They are the DCLG, the DfES, the DWP, the Department of Trade and Industry, the Department for Environment, Food and Rural Affairs, the Home Office, the Department for Culture, Media and Sport, the Department for Transport, the Department of Health, and the Cabinet Office.

capping' or 'council-tax capping') (Travers and Esposito, 2004; Watt, 2004). Since 1984 central government has been able to place a statutory ceiling on the planned budget of any local authority to prevent excessive and radical expenditure. From the 1980 to the early 1990s, the power of capping had been used selectively or universally, but the Local Government Act 1999 by the New Labour government has abolished the universal capping with the reservation of individual capping power¹²². Capping may seriously weaken the financial accountability of local government in that central government can indicate a budget maximum for local authorities and force them to follow this (Jones and Stewart, 1993; Atkinson and Wilks-Heeg, 2000).

In addition, central government has the power to change the form of local taxation and distribute various grants. Most of all, the control of grants gives great power to central government because they generally account for over 61% of the local government incomes total as reviewed above. In the process of allocating grants, local government usually tries to obtain more financial resources. There are some 'regular rituals' by local government in this regard during each financial year as Stewart (2000: 102) observes:

Such meetings [between council leaders and ministers] were unlikely to change the nature of an authority's standard spending assessment or grant settlement... The authority had to be seen to be making a case and the department had to be seen to be listening.

In conclusion, the relations between central and local government in England have taken place in a range of areas through a variety of means and forms. However, their relationship still seems centralised although some progress has been made by the New Labour government.

2. Local Government in Korea

2.1. Legal status and structures

In contrast to that of the UK, the Korean Constitution includes provision for and protection of the principle of local autonomy or local self-government including the power and function of local government and its council and executive body (article 117¹²³ and 118¹²⁴). As strict procedures are adopted to amend or reform the

¹²² Capping action was taken against 14 local councils in 2004-2005 and against 9 local councils in 2005-2006.

¹²³ Article 117: local authorities shall deal with matters pertaining to the well-being of local residents, shall manage properties, and may establish their own rules and regulations regarding local autonomy as

Constitution¹²⁵, local government has been more resolutely protected than other institutions based on just laws. However, such protection through the constitution is not complete in itself, because central government is unwilling to devolve power to local authorities. In fact, the constitutional provision for local autonomy remained largely unfulfilled by proper laws, such as those regarding local elections in Korea until the early 1990s¹²⁶. In other words, local autonomy was thus withheld for a long time by means of delay in the appropriate legislation despite the constitution. The chief executives of local government, such as mayors and governors were appointed by central government as central officials, and their capacity for autonomous decision-making was virtually nonexistent. Consequently local authorities did not function as independent decision units, but as executive branches of central government or local administrative districts until the early 1990s.

However, local autonomy has been regarded to Korean people as a symbol of the democratisation that proceeded rapidly after the 1980s and thus local councils have been elected since 1991 and all chief executives have been also elected since 1995. Local autonomy has been strongly supported as an essential element for Korean society and the protection by the constitution of local government has become increasingly solid in its democratic culture and environment (KLAFIR, 2005).

Local autonomy was stipulated and clarified in of 1988. The Local Autonomy Act (LAA) of 1988 provides the basis for the current local autonomy system. This law not only revitalized local elections but also stipulates important points such as administrative structures and affairs of local authorities. Other important laws defining the powers and organisation, finance, tax and officials of local government are for instance the Local Autonomy Act, the Local Education Autonomy Act, the Local Finance Act, the Local Tax Act and the Local Civil Servant Act.

As an external structure of local government, Korea has adopted a two-tier system – prefectures as upper-level local governments and municipalities as lower-level local government. Both are autonomous bodies with elected councils and administrative

delegated by national laws and decrees. (ss1). The types of local authorities shall be made by national laws (ss2).

¹²⁴ Article 118: councils shall be convened in local authorities (ss1). The matters concerning councils, such as structure, power and elections, and the election of chief executive, including the structure and operation of local authorities shall be stipulated by national laws (ss2).

¹²⁵ The constitution requires specific procedures to amend its articles, which are quite different from simple amendment of laws: i.e., a proposal of the president or over a half of MPs, a resolution by over two-thirds of MPs and approval in a referendum.

¹²⁶ Pretexts for this were economic development and the prospect of national unification with North Korea.

executives. Prefectures are composed of seven metropolitan cities including the capital Seoul, and nine Provinces¹²⁷. Municipalities consist of cities in urban areas, counties (Gun) in rural areas and autonomous districts (Gu) under seven metropolitan areas¹²⁸ (figure 2 in Appendix). Although upper level and lower level authorities each have own functions and powers, the relationship between them is hierarchical. Lower level authorities are held accountable by upper level authorities. Upper level authorities such as metropolitan cities and Provinces basically serve as intermediaries between central government and lower level authorities.

As of 2007, the numbers of local authorities in Korea is 246, which are divided into 16 upper level authorities (7 metropolitans and 9 provinces) and 230 lower level authorities¹²⁹ (75 cities, 86 counties and 69 autonomous districts). Five counties are located in the territory of metropolitan cities. Therefore some part of the metropolitan cities consists of rural areas (MOGAHA, 2005a).

As an internal structure, the political management structure of local government in Korea is similar to that of the strong mayor-council system in the USA. If councillors are not appointed to the executive, then the model becomes similar to that of Mayor and Executive in the UK. Therefore, its organisation is divided into a council and an executive body which are endowed with appropriate legal power and independently exercise their powers to keep each other in check and to cooperate on the principle of checks and balances. Local councils comprise councillors most of who are directly elected by residents every four years with some upper-level councillors being selected by a proportional voting systems¹³⁰. Councils have the authority to represent citizens' interest and the powers to supervise or scrutinise local administration. Local councils can initiate bills with the signatures of either more than ten council members, or one fifth of the total council members. They also have the exclusive authority to pass local

¹²⁷ The former is the capital, Seoul and six wide-area cities, Busan, Daegu, Incheon, Gwangju, Daejeon, and Ulsan; and the latter is Gangwon, Kyonggi, Chungbuk, Chungnam, Jeonbuk, Jeonnam, Gyeongbuk, Gyeongnam, and Jeju.

¹²⁸ The populations of local authorities have a wide range by their types and locations. Out of 48.7 million people in Korea, 10.2 million people (20.9%) reside in Seoul. Another 10.6 million (21.7%) live in Kyonggi, a province that surrounds Seoul. Incheon, about 30km west to Seoul, has a population of 2.6 million (5.3%). Altogether, 47.9% of Korea's population live around Seoul metropolitan area. Also, 12.7 million (26.1%) live in the six major cities. Therefore more than 70% of the population live in large cities and their surroundings.

¹²⁹ Lower level authorities deliver services through their administrative districts, which are called 'Eup' or 'Myeon' in rural areas and 'Dong' in urban areas. These are similar to Parishes in England.

¹³⁰ Ten out of eleven of upper-level councillors are elected by direct vote and the remainder are indirectly elected. The main purpose of proportional representation is of course to prevent excessive domination by a single party in councils.

ordinances and budget within the domain of local government¹³¹. On the other hand, the executive body consists of the chief executive, such as governors or mayors¹³², who are directly elected by local constituents every four years, and have several departments with civil servants to carry out their functions. The directly elected chief executive is not only the official representative of local government, but also has the authority to control all administrative affairs within its jurisdiction, such as policy formulation and implementation, and financial management¹³³.

Departments are divided into service departments, and central or coordinating departments. The chief officers of each department are responsible for the work firstly to the chief executive who appoints them and finally the chief executive accounts to councils for coordinating operations and policy. There is an inevitable interaction between the council and the chief executive, together with the councillors and the officers, in the planning and implementation of local policy.

2.2. The power and function of local government

The Korean Constitution confers on local government the powers necessary in relation to its operation. Local government copes with matters pertaining to the well-being of local residents, manages properties, and may establish their own rules and regulations regarding local autonomy (article 117). It is consequently natural for local government to exercise its powers at its own discretion under the range derived from the constitution to accomplish its aims. However, the constitution also stipulates that local government can be regulated by national statute such as laws and decrees. As a result, any activities of local government should be in the ambit of the endowment by laws and decrees and it is consequently subject to the *ultra vires* doctrine, which means that its activities are judged by the courts (KLAFIR 2005). In addition, the hierarchical relationship between lower and upper level authorities legally enforces lower level authorities to abide by the bylaws of their upper counterparts in relation to executing all affairs delegated from them.

¹³¹ According to the Local Autonomy Act (s 35-41), local councils have the power of enacting bylaws; investigating local administration; reviewing and deciding budget proposals; approving the closing of accounts; and summoning executives and officials to council meetings.

¹³² They are called 'governor' for a province, mayor for a metropolitan city, county executive for a county (Gun) and district executive for an autonomous district (Gu).

¹³³ The Local Autonomy Act endows the chief executives the power of promulgating ordinances; vetoing power; formulating budget bills; proposing bylaw bills; attending council meetings; requesting the convocation of special sessions of council meetings; and appointing the administrative staff of local councils (s 92-111).

The functions or powers of local government are classified into two categories in Korea following European practice (Kim, 2004): 'inherent functions or affairs' and 'delegated functions or affairs'. The former are those that are performed by local government in the principle of local autonomy, while the latter are of a kind delegated by the centre to local government to implement appropriately according to statutes and cabinet ordinances. The Local Autonomy Act provides six categories as the inherent functions of local government and shows some examples of those. They are: local administration; social welfare and health; agriculture and commerce; regional developments such as city planning and water supply; youth policy and education; environmental protection; and local civil defence and fire protection (table 8 in Appendix).

Delegated functions are sub-divided again into 'mandated functions' and 'delegated functions to agency' (Lee, 1996; Choi, 1997). The ones which are entrusted to local government permit some implementation discretion by local government and can thus be dealt with by local councils in the same way as their inherent functions. However, the others which are delegated to chief executives authorises no discretion and intervention by local councils and compels local government to comply with the directions and orders of ministers (KLAFIR, 1998). Therefore, the 'delegated functions to agency' may seriously weaken the power and autonomy of local government. It has been estimated that they still account for around 50% of all local government activities (Choi, 1997: 14) and all delegated functions are known as consisting of over 70% of them.

Most services related to people's daily lives (e.g., water supply, waste collection, medical treatment institutions and small rivers and roads) are principally provided by lower-level authorities. On the other hand upper authorities are limited to functions which could affect more than two lower authorities (e.g., grand regional development planning), and facilities whose scale needs more than two lower authorities (e.g., industrial estates, metropolitan/provincial roads and rivers, large public hospitals and fire service). In addition, upper authorities usually function as intermediaries between central government and lower-level authorities. Therefore, many of their functions are often delegated to lower authorities with subsidies rather than direct service provision, and then supervised and audited by themselves.

Education and skills are not provided by upper authorities but by Local Education Offices¹³⁴, although their budgets and important policies are also scrutinised by local councils. The police service has been the responsibility of central government since the foundation of the Republic of Korea. However, a part of the police service, such as traffic control and minor offences is being devolved to local government. In fact, Jeju Special Province has provided this kind service since 2006.

According to MOGAHA (2006d), most expenditure of local government is concentrated on the functions of social and economic development. Almost half of local finance is spent for social development (49.5% in 2005), whose functional area includes such services as social welfare, health and environment, housing and community, culture and sports. The expenditure of the function of economic development relating to industry and business, construction, transportation and agriculture is placed next to the function of social development, fluctuating around 30% of the total expenditure (26.7% in 2005).

2.3. Finance

The accounts of local government finance (or budget) are divided in general accounts and special accounts. The former is a general and necessary budgetary account covering most activities from ordinary work to large-scale construction. On the other hand, the latter has been established to cope with specific activities which are related to public enterprises and corporations, such as underground railways, water suppliers and rubbish facilities¹³⁵. The general accounts are consequently greater than the special accounts: generally by a factor of 77% to 23% (*see* MOGAHA, 2006d).

The source of local government revenue is generally split between its own income from local taxation and non-tax income (e.g., fees and borrowing) and transferred money (grants) from central government. Since local tax items and rates are stipulated in the Local Tax Act, local authorities have the power to impose and collect local taxes at their little discretion. There are 16 local taxes divided into four categories according to the different types of local authorities. Metropolitan cities collect 13 taxes and their

¹³⁴ The top executives of local education offices (LEO) who has powers regarding education are elected by a voting committee selected from primary, middle and high school councils. In terms of their voting, a board of education has also been established in each LEO to review and determine important educational matters. City/County Education Offices implement educational affairs at the level of lower local government.

¹³⁵ It is thus controlled by business account principles that demand make even between income and expenditure.

autonomous districts collect only 3 taxes. Provinces collect 7 taxes and their cities and counties collect 10 taxes (table 9 in Appendix). Local borrowing¹³⁶ is small but a useful method for region development, infrastructure construction and disaster recovery under a low burden in interest and repayment term.

There are two major fiscal transfers from the centre to local government in Korea: the Local Share Tax (LST) and National Subsidies¹³⁷ (NS). The former is not a tax but a typical general grant system based on formulae that aim at filling the fiscal gap originating from economic deficits and local population taxes. Local government can thus use this finance at its discretion. The scale and allocation formula of LST are provided by the Local Shared Tax Act and its funding size has been 19.13% of ‘the total national domestic tax income’ since 2005. Most NS are earmarked grants for local government to achieve central government’s specific projects, but some are often given as block grants which allow local government to use it with some discretion (Huh, 2000; Kim, 2005).

From 1995 to 2005, the ratio of local expenditure to GDP showed a slight increase from 9.7% to 11.6%, while central expenditure against it increased from 18.3% to 20.8% (table 10 in Appendix). Local expenditure can thus be said to be was more or less 55% of central expenditure in the same period. However, the revenue of local government is significantly smaller than that of central government. For instance, its revenue was merely 30.4% of that of central government in 2005. Therefore, there is a big funding gap between local revenue and expenditure and transferred finance from the centre to locality explains around a third of the total local expenditure (e.g., 34.8% in 2005) (*see* MOGAHA, 2006d). The funding gap between local expenditure and local revenue shows itself in the weakness of local autonomy and its dependence on central government, and the strong possibility of intervention from the centre.

2.4. The relations between central and local government

The basis of the relations between central and local government can be found in the Korean Constitution which regulates the legislative powers of local government within

¹³⁶ The local borrowing policy has been dealt with as a sub-part of local financial policy by the MOPAS accompanying the agreement of the Ministry of Strategy and Finance in the case of international bonds (MOGAHA, 2001).

¹³⁷ Besides these there are two grants from upper level local authorities to lower level authorities: the Adjustment Allocation Grant and the Provincial Government Subsidy (Huh, 2000: 13). However, since they are duplicated in the total accounts of the local government as a whole as well as being only small scale, they are omitted in this thesis.

laws and decrees¹³⁸ by central government. Therefore local government is compelled to perform the decisions and policies of central government. Their relations are in practice be clearer and more frequent in the legal concept of ‘affairs delegated’ from central to local government and National Subsidies. Ministers order local authorities to perform those affairs and supervise them by being reported and even audit. If some illegal dispositions happen in local authorities, these might be rectified by the relevant ministers as well as reviewed by the court¹³⁹.

MOPAS¹⁴⁰ has major responsibility for overall policies regarding local government through the authority to decide its functions, structures, powers and areas, to distribute financial resources and even to audit and inspect it¹⁴¹. In addition, MOPAS can require locality to revise resolutions made by local councils (e.g., bylaws) or bring it to the court. Many ministries are also ordinarily related to local government in their own fields, such as welfare, health, economic and regional development and culture. Their Special Local Agencies which are their own branches in local areas delivering their services also often work together with local authorities. Central government has a close connection with local government through a variety of channels – either obligatory, formal and routine or optional, informal and instant – using from documents and/or meetings to private communications. In fact, there is a big flow of local information (e.g., statistical data and local opinions) and circulars and guidance regarding how to achieve local objectives and implement laws and central policies.

The most formal intervention by central government is the inspection and auditing of local government, which is allocated to the Board of Audit and Inspection (BAI)¹⁴² and MOPAS. The BAI can audit all kinds of public organisations and inspect their legal duties, and thus it often but irregularly audit and inspect local government. On the other hand, MOPAS regularly audits and inspects local authorities, jointly with other

¹³⁸ Some laws and decrees regulate the basic operational principles of local government, such as the Local Autonomy Act, and others control local authorities concerning the standards and delivery of services such as those laid down by the Construction Act.

¹³⁹ Since Korean local government system consists of a kind of hierarchy of local authorities from central government to lower level local authorities, upper level local authorities have power of supervision, inspection and audit, order and correction to their lower level authorities.

¹⁴⁰ MOPAS was established in 2008 by merging the Ministry of Government Administration and Home Affairs, the Civil Service Committee, and the Emergency Planning Committee. It thus is responsible for local government and local policy; the management of central government regarding structure and personnel; and disaster management and security.

¹⁴¹ Most parts of MOPAS are connected directly or indirectly with local government. This is especially the case for each of the headquarters of Local Administration, Local Finance and Tax, the Balanced Development and the Directorate of Audit and Inspection.

¹⁴² It is a constitutional organisation established under the president, but executes its powers independently.

ministries. It also inspects a certain local authority instantly for a certain individual issue.

Other aspects of relations between central and local government are of course support, assistance and cooperation. Local authorities are generally supported by a variety of resources, such as in skills, techniques and finance by central government. Cooperation between them is essential to establish or implement proper laws and policies on street-level situations. For cooperation, vice-mayors or vice-governors in upper local authorities, who are co-appointed by MOPAS and elected mayors and governors and have authority over all local administration, play a great part in both formal and informal communication between the centre and their localities. In fact, there is an important formal meeting known as ‘the National Conference of the Vice-mayors and Vice-governors’, which is regularly summoned once a month by MOPAS. At this meeting, all matters of common concern and information, together with a range of agenda items (e.g., orders or cooperation requests from government departments) are discussed and delivered to local authorities. A variety of representations are submitted to central government by each local authority at the same time. The main contents of this conference go down to lower level authorities through the hierarchy of government.

Local authorities can establish a local government association as the legal entity to jointly manage their interest and there are four legal local government associations¹⁴³. They often try to cooperate to solve common problems: e.g., on matters where their opinions or interest may be opposed to central government. However, their activities can be somewhat weakened, because they do not rest on firm foundations supporting their activities¹⁴⁴ on the one hand; and each local authority’s socio-economic environment and interest may occasionally lead to conflict.

A new type of partnership and cooperation between central and local government has been recently attempted in specific areas, such as regional development. The most important characteristic of this is to stress the active role of local authorities, while existing methods are legally enforceable by central government. An example is the scheme of ‘new vitality in the regions’, introduced by MOPAS for the 70 least-developed lower level authorities in 2004. This scheme entirely depends on the efforts

¹⁴³ They are the Governors Association of Korea established in 1999 which consists of mayors and governors of upper level authorities; the Association of Metropolitan and Provincial Council Chairs which has represented all council chairs of upper level authorities since 1991; the National Association of Mayors for the chief executives of lower level authorities since 1997; and the National Council Association of Chairmen composed of the chairmen of all lower level authorities since 1991.

¹⁴⁴ For example, the GAOK which is the biggest organisations has only a staff of only 17, and annual meetings of mayors and governors tend to be social and informal.

of local authorities in terms of financial incentives. The recipients of this scheme should submit its own plan for economic development instead of implementing a uniform plan of MOPAS, which only furnishes a macro-guide, finance and advice, and gives monetary incentives to good achieving localities. Therefore, local authorities are allowed more autonomy and can achieve more suitable regional development, while MOPAS achieve policy aims through this process and competition between them. This type of policy has increasingly become popular. For example, the ‘attractive village scheme’ initiated in 2007 by MOPAS with eight other ministries is also based on partnership and cooperation between the centre and localities rather than the advanced plans or approvals of the centre. According to their competent plans, local authorities are provided central government’s support package which allows more autonomy in delivering services and spending government grants¹⁴⁵. The main characteristic of these kinds of schemes is that compromise and accords with central government are established after local government has expressed a set of priorities. In other words, partnership and co-operation between central and local government are based on the preference of local government.

Fiscally in Korea, local government heavily depends on central government. Local government has a poor tax-base and the power to change the types of local tax and their rates are the prerogative of central government. As reviewed previously, local finance supports (e.g., LST and NS) are important central-government means for intervening in or assisting local government, since local revenue is not enough to meet local expenditure itself. Total grants accounted for around 35% of local revenue total from 2003 to 2005. This assistance might be accompanied by intervention and controls, such as audits, and thus local authorities are liable to be more subordinate to central government. There can be regular requests by local government in order to obtain further financial resources. This usually involves visits to government departments by many local officers including chief executives. They may try to meet those from who might be anyone from clerks to ministers, especially where MOPAS and the Ministry of Strategy and Finance (MOSF) are concerned, because these two institutions have power over the entire national budget.

In conclusion, the relations between central and local government in Korea have taken place in a range of areas through a variety of means and forms, for example

¹⁴⁵ In this scheme, central government provides 9 varying models of ‘attractive villages’, one of which each local authority chooses for its own detailed plan. If a local government plan is accepted, more power and money to realise this will be provided.

formal or informal, control and order or advice and request. However, their relationship still seems top-down rather than co-operative, even if some progress towards a more shared approach has recently been shown.

3. The characteristics of local government systems in England and Korea

There are many differences between English and Korean local government, since each country has historically developed its own system. For example, English local authorities have no functional duplication and no hierarchy between their two-tiers, whereas upper-level authorities are both intermediaries and have hierarchical power over lower-level authorities in Korea. The political management of local government in each country shows also significant difference. Most English councils are governed within ‘the leader and cabinet executive model’ which is similar to their traditional council systems. Accordingly, the leader of local government is not directly elected by the constituents. In contrast, councillors and the chief executive in each local authority are directly elected by residents in the Korean strong mayor-council system and given their own legal powers on the principle of checks and balances.

On the other hand, there are some common points between both countries’ local governments. Their main functions are to implement policies and programs determined and directed by central government, although they have the autonomy to create their own programmes. They consequently deliver similar services to communities except education services which are provided by English local government, but not directly by Korean local authorities.

Both central governments have recently adopted partnership or cooperation with local governments particularly in the policy area of regional or community development: e.g., LPSAs and LAAs in England and the scheme of ‘new vitality in the regions’ and the ‘nice village scheme’ in Korea. According to Radin (2007: 373), six different approaches, which are different from the traditional methods of control or cooperation, have been recently taken within US inter-governmental management under the influence of NPM. They all focus on improving or dealing with performance in the relations between central and local government: they are ‘performance partnerships’, ‘incentives’, ‘negotiated measures’, ‘building performance goals into legislation’, ‘establishment of standards’, and ‘waivers’. In this sense, those new attempts in

England and Korea can be said to be based on the new approaches of NPM in that they seem to retain all the characteristics of the six approaches.

The most significant similarity between English and Korean local government system can be seen in the relationship between central and local government. Both countries share a significant similarity in this since they are all relatively centralised countries in comparison with other Western states. In addition to the principle of '*ultra vires*' which might be applied to other countries, a diverse range of mechanisms contribute to centralisation in the relationship between central and local government in the UK and Korea.

Local government in England has no constitutional basis, but is supported by quasi-constitutional conventions, which cannot easily be abolished because of its evolving democratic traditions. However, the UK Parliament has the ultimate power over the legal status of local government and thus can change it on behalf of central interest. In fact, there were or have been such strong centralised policies as 'CCT', 'administrative intervention' and 'capping'. According to the LGA 1999, local authorities that fail to manage financial soundness or deliver good quality services can lose their administration powers and so be replaced by other organisations. Capping by central government also restricts councils' autonomous power to decide their budgets.

In this context, the UK is seen as being highly centralised in comparison with other European countries, although its local autonomy has progressed since the New Labour government in 1997 (Wilson, 2005). In fact, the UK was designated in 1997 by the Council of Europe as one of the six countries in which the situation of local democracy had major problems¹⁴⁶ (Wilson and Game, 2002). In addition, the European Charter of Local Self-Government which was ratified in 1997 has not been transferred into UK domestic legislation, because central government appears 'unwilling' to trust local government with sufficient money (LGIU, 2002: 2). As a result, the situation of centralisation in the UK might be referred to 'hypercentralisation' by as Loughlin (2001: ch2) argues.

In Korea, although local government is protected by the constitution and local elections have been held since 1995, local government is strongly directed and controlled by central government (KLA FIR, 1998). Most of all, around 70 % of its powers or functions are identified as 'delegated affairs' which accompany the strong intervention of central government. In addition, the Local Autonomy Act allows

¹⁴⁶ They were Bulgaria, Croatia, Latvia, Moldova, Ukraine and the UK (see <http://www.coe.int>).

ministers to direct local government to correct inappropriate service delivery and further revise the decisions of local councils. Central government also has the power to appoint some important local officers in upper-level authorities with central civil servants. For example, vice-mayors/governors and the heads of strategy, planning and budgeting departments are generally appointed by the centre. Although this can contribute to the cooperation, coordination or communication between the centre and locality, it might be a great constraint on local personnel management that should be autonomous. Briefly, a word by Loughlin (2001: ch2), ‘Hypercentralisation’ for the UK centralisation also seems to well describe the lack of experience of decentralisation in Korea.

The centralised relationship between central and local government in each country can also be seen in local finance. Local governments in both countries are alike in that the finance that they can raise from their own resources is only a mere fraction of what they need. The tax revenues of local governments in both countries are, if compared to other OECD countries, smaller than those of Denmark (35.6%), Germany (28.7%), Japan (26.0%), Spain (26.6%) and Sweden (32.1%) (table 4-1).

Table 4-1. Composition of tax revenue in some OECD countries in 2002

Country	Composition of tax revenue (%)	
	Central government (national tax revenue)	Local government (local tax revenue)
Austria	81.6	18.4
Denmark	64.4	35.6
France	90.0	10.0
Germany	71.3	28.7
Italy	83.6	16.4
Japan	74.0	26.0
Korea	81.1	18.9
Spain	73.4	26.6
Sweden	67.9	32.1
UK	95.5	4.5

Source: OECD (2005a)

A great variety and volume of grants consequently flow from central to local government in England and Korea. This can be symbolic of weak local autonomy in that central grants are likely to incorporate central intervention in local government.

In conclusion, although there are some differences in local government systems in both countries, a distinctive similarity is shown in the relationship between their central and local governments: ‘centralisation’. This centralised relationship can be regarded as a cause which resulted in the introduction of CPA in England and JPA in Korea.

Therefore, their logical basis will be investigated below following the theoretical examination of central-local relationship.

4. The accountability of local government and logical basis of central management of local government performance

4.1. Theoretical explanations of the relations between central and local government

Central government, generally speaking, provides powers, funding and targets or policies for local government, and local government produces public services according to the policies or targets set. However, the relations between the two are not simple to describe, because they have a variety of relationships according to which functions are concerned. Although central government is often thought to have a unilateral effect on all the functions of local government through their powers of legislation and finance, they influence each other through their interaction in reality. Not only do they sometimes try to control each other but also they usually cooperate and exchange information. There are thus many ways of explaining the diverse relationships between the centre and locality.

The first theoretical model for the relations between central and local government is the agency model. In this model local government is deemed to be an arm or branch of central government. It merely implements policies of central government with little or no discretionary power. A control-subordination relationship and thus a hierarchy consequently exist between them (Wilson and Game, 2002: 170). Central government tends to exploit its power over local government, notably through legislation and financial power, and the agency model disregards any idea of legitimacy through direct election, or that local government has the power to devise its own policies with the right to choose diversity to implement central government policies. In most democratic countries, the autonomy of local government is respected and total regulation and control of local government is legally impossible. Local government generally has substantial discretion not only over its own geographical territory but also in those fields where it is supposed to implement central government policies.

The partnership model emphasises that central and local government are co-equal partners in producing services (Wilson and Game, 2002: 174). Although this model is a

reasonably good depiction of the characteristics of their cooperation or co-working, it partly explains their relations in cases where they share aims and measures (Stewart, 2000: 89). In the event of disagreement on aims and means of delivering services, it would be difficult to justify the concept of ‘partnership’. In addition, there is definitely hierarchical relationship between them rather than partnership in a unitary country.

The power dependence model is an alternative to the partnership model, which assumes that central and local government have their own resources and they can use them in opposition to other organisations. This model thus focuses on bargaining between them and power is regarded as being relative, depending on a process of bargaining and exchange, because they are closely dependent each other¹⁴⁷ (Rhodes, 1999: 40). According to Rhodes (1988: 42), the resources of central and local government can be categorised as their constitutional and legal position; political legitimacy and capacity to mobilise opinion; finance; command of people and services; and information, knowledge and access to data. For example, central government has as its resources the power of legislation and control of locality including financial support or control, and inspection and audit, while local government has local knowledge and expertise, and networking and persuasion skills. This model can well explain their dynamic interactive relations including particularly cooperation, information and consultation. However, central government has greater resources, including the ability to change the rules of the game (Chandler, 2001: 89). In other words, the power of central government to change the rules of the games is not sufficiently acknowledged in this model¹⁴⁸.

The stewardship model (or agent model) tries to explain the relationships between central and local government by borrowing the concept of ‘stewards’ of large 18th century estates. According to Gray and Jenkins (1985: 138), stewardship is established when ‘one party trusts another party with resources and/or responsibility’. In this model, what central government is to local government, a landlord is to its steward. Chandler (2001: 94) states that:

The steward was given a measure of discretion to manage his lord’s estate as efficiently as possible, but this discretion was always constrained by rules determined at the whim of aristocrat. ... They had the means to admonish the false steward or remove him from office. Some landed gentry chose to interest themselves in the day to day management of their estates and constantly plagued their stewards with rules, regulations, advice and caprice.

¹⁴⁷ Dependence is the key concept in the analysis of power and exchange, which originates from exchange theory and the analysis of the relationships between individuals (*see* Thompson, 1967; Rhodes, 1999).

¹⁴⁸ Rhodes has shifted this model into a concept of ‘network and policy community’ rather than only the relationships between central and local government in order to explain policy systems (*see* Rhodes, 1999).

This model explains that local government is a ‘subordinate arm’ of central government like a steward or agent. In other words, central government is to the principal what local government is to the agent. Therefore, although central government occasionally consults with local government on problems of implementing policy, the former could even try to remove the latter if it is in opposition to central interests, in addition to refusing to listen to its opinions. However, such an explanation of stewardship is too limited, because local government has its own legitimacy in terms of local elections and represents local interest.

The reality of IGRs is not simple¹⁴⁹ and exists in diverse forms (Chester, 1951; Griffith, 1966). A range of terms or explanations such as agency, partners, dependency, networks, hierarchy and stewards are accordingly complementary terms for the understanding of the true nature of their relationships. The practical forms and shapes of the relationships between them are indeed in a mixture of those concepts and models just as Stewart (2000: 90) notes:

Some times and some places, the relationship can be one of ‘conflict’ or one of ‘co-operation’. At times, central government will be acting as ‘judge’ between different bids or as ‘arbitrator’ between different local authorities or between local authorities and other bodies; and central government and local authorities can have a ‘learning’ relationship when central government learns from the initiative of local authorities and local authorities draw upon the expertise of central government.

In relation to CPA and JPA, the agent or stewardship model might be most suitable for the explanation of the relations between central and local government (Broadbent et al., 1996; Kelly, 2003). This is because both frameworks are based on the idea that the performance and accountability of local government need to be managed by central government. It means that central government has the legitimacy of directing and controlling local government which has some discretionary power to deliver services. This is well identified in the stewardship model. It is clearer when the direction of local government accountability is considered as below.

4.2. Accountability of local government and performance measurement

According to Day and Klein (1987), local government traditionally has five types of accountability: councillors accountability to local people (political accountability);

¹⁴⁹ In addition, there are some completely different theories for the explanation of IGRs: e.g., by the concept of ‘reproduction of labour’ (Castells, 1977), ‘dual polity’ (Bulpitt, 1983) and ‘dual state’ (Saunders, 1982).

senior officers' management for services and resources (managerial accountability); employers' loyalty to profession or professional associations (professional accountability); the observance of a legal framework (state accountability); and annual probity audits regarding spending money (audit accountability). Sullivan (2003) similarly indicates that the accountability of local government has been generally secured through such methods as political representation, public servants' professional codes, finance mechanisms and external regulations. In sum, accountability of local government is principally ensured by its outside mechanisms or organisations. For example, political accountability is traditionally held through regular local elections, while state or audit accountability is ensured by other organisations such as central government. This is because the concept of accountability is principally based on the principal-agent relationship (Laughlin, 1990; Kluvers, 2001) or the stewardship model (Gray and Jenkins 1985; Massey and Pyper, 2005).

This is clearly identified with the direction model of accountability. According to Elcock (1991: 162), accountability has three directions to flow 'upwards', 'outwards' and 'downwards'. Therefore, public management should be accountable 'upwards, ultimately to politicians', 'outwards to professional colleagues' and 'downwards to citizens'. In accordance with this, Sullivan and Skelcher (2002) identify three lines of accountability of local government: *vertical – upwards* (to central government), *vertical – downwards* (to local people), *horizontal – sideways* (to partners). In other words, since the power and functions of local government is generally trusted by voters and by central government, it should be strongly accountable to its principals.

Theoretically, local elections should be preferable to external audits and inspection as a mechanism to secure local government accountability, or at least both should be balanced because it is a democratic body. However, central government has increasingly emphasised the audit and inspection of local government (Cochrane, 1993; Loughlin, 1996). This is because political accountability is not essentially ensured by elections (Stoker, 1991; Commission for Local Democracy, 1995; Cochrane, 1996; Pyper, 1996) and the performance information of incumbents is not sufficiently provided to voters (Iyengar, 1987; Delli Carpini and Keeter, 1996; Milner, 2002). In addition, there is a need to protect the different interests of various voters and stakeholders (Kelly, 2003).

In order to secure political accountability, the provision of information from the agent to the principal is critical for the principal to judge about and then reward or

punish the stewardship. In fact, as Dubnick (2005: 382) indicates, the core of accountability is related to 'the act of reporting' regarding activities, spending and finally results. Therefore, there should be a continuous and frequent flow of performance information between councillors (the principal) and internal management (agents); and further citizens (the principal) and councillors or administrators (agents) (Kluvers, 2001). The most standardised reporting is normally external reporting to the legislature and oversight agencies (Stewart, 1992; Dubnick, 2005). In this sense, central government has increasingly used audits and inspection to ensure the accountability of local government to residents, voters or other stakeholders as well as to itself (Loughlin, 1996; Kelly, 2003).

However, local government has its own democratic value and autonomy and so the audits and inspection of localities by central government might conflict with the principles of local autonomy. In addition, they traditionally tended to focus on financial and legal accountability so that local government was hierarchically controlled by the centre (Cochrane, 1993; Kloot, 1999; Kelly, 2003).

The emphasis on 'performance' and 'performance measurement' by NPM has become more appropriate to explain the complex aspects of government performance, including outcomes than traditional tools concerning compliance with law and spending mandates (Parker and Guthrie, 1993; Gray and Jenkins, 1993; Davis et al., 1999; Bouckaert and Halligan, 2008). Citizens or residents, who are the final or original principal, can be better informed about the performance of local government, since the result of performance measurement is likely to deliver to them in a more understandable form. Performance measurement can help local government achieve goals and deliver better services in terms of showing a range of performance relating to different stakeholders. In addition, emphasis on outcomes in performance measurement can control local government less than the traditional focus of audits and inspection on financial and legal accountability (*see* chapter 2). In short, performance measurement can improve local government performance and ultimately enhance its accountability to its principals, such as residents and central government.

4.3. Accountability of local government and the logical basis of CPA and JPA

CPA in England and JPA in Korea are both kinds of performance measurement systems to ensure the accountability of local government in terms of performance

assessment. However, the frameworks were not initiated by local government itself but by central government in accordance with the idea of the principal-agent relationship or the stewardship model regarding their relations.

In unitary countries such as the UK and Korea, the existence, power and functions of local government are generally regarded as being derived or delegated from the state. Therefore, local government should not only exercise such powers as are expressly conferred by statute (the *ultra vires* doctrine), but also be accountable or answerable to central government for its activities and spending (the principal-agent or stewardship model) (Jones and Stewart, 1985; Broadbent, et al., 1996; Kelly, 2003).

In addition, local governments in many countries are dependent on national subsidies. For example, English and Korean local government heavily depend on the grants of central government. As a result, the original stakeholders of these funds are not just residents or local taxpayers in a certain area, but the nation as a whole, or national taxpayers. This can justify the direction or control of local government by central government in that the latter is supposed to secure the former's accountability to all the national people as well as certain local residents. Leigh (2000: 100) argues that 'the proportion of centrally funded local expenditure gives central government a considerable stake in the financial probity of local government in order to protect the interests of national taxpayers'. In the end, 'by means of tools such as CPA and JPA', local government should account, answer, and be responsible to central government in the light of its powers, functions and money that originate from the centre.

However, CPA and JPA can also be regarded as just another mechanism for control or intervention in local government created by central government and thus might conflict with local autonomy or its democratic value. That is to say, it can be criticised that they may erode local autonomy despite their contribution to the improvement of local government accountability. As Radin (2007: 368) points out, the interdependence between central and local government results in dilemmas of the 'persistence' between the accountability and autonomy of local government.

In this sense, CPA and JPA would be a more useful instrument of IGRs for the balance between accountability and autonomy. They are performance measurement systems for performance improvement of local government rather than direct direction or approval in advance. As a result, they can be regarded as a cooperation tool by local government for quality service delivery. In other words, the performance management of localities by central government can be used not only as a control method to ensure

accountability but also as a useful tool of cooperation for such co-interest as improvement and achievement. This approach might contradict or contravene the principle of local autonomy less than such traditional audits and inspection concerning legal accountability or control. It can also be more suitable to show the nature of relationship between central and local government, which are represented by 'control' and 'cooperation' at the same time.

Moreover, CPA or JPA can contribute to the assurance of political accountability of local government. It can directly assist political control by giving politicians clear evidence of how officers or staff-members are performing. It can ultimately facilitate constituents' ability to judge their local government, especially if they vote taking into consideration CPA or JPA results of their local authority and the comparison of those to other authorities. In short, CPA and JPA can provide voters with more clearly understandable information about incumbents for the next election, and thus encourage the better functioning of democracy.

CPA and JPA can provide more credible performance information for senior managers, local politicians and residents or voters, since they are externally conducted. CPA and JPA seem to conform to Stewart's principles (1992: 35) when he observed that:

A public organisation should monitor its own performance, but should also have its performance monitored. The first is necessary for effective management of the organisation, but the second is a condition of public accountability.

In conclusion, local government has to account to central government in the light of powers, functions and finance. As performance assessment systems, CPA and JPA can be strongly justified through their own values of securing the accountability of local government to central government and the public on the one hand; and facilitating cooperation in IGRs, minimising the likelihood of conflict with local autonomy on the other.

This chapter briefly researches general information about the status, function, power and finance of local government in each country and shows that both countries are centralised in inter-governmental relationship. It also indicates that local government is due to account its performance in three directions and CPA and JPA can operate as a new sort of intergovernmental tools influenced by NPM. The next chapter will concentrate on analysing the formal aspect of CPA from its introductory background to methodology in detail.

Chapter 5. The Comprehensive Performance Assessment in England

This chapter analyses all of the formal aspects of CPA, such as its aims and objectives, and methodology including component assessments, PMs, process, ratings, rewards and punishment. It also investigates why and how CPA has been introduced in order to understand its introductory elements related to environmental changes in British public sector. The assessor, the AC that conducts the assessment of councils in practice is also explored particularly based on its independence and expertise.

1. Genesis and history

Since the early 1980s, there has increasingly been a significant concern about the performance of government in the UK and thus performance measurement has been continuously emphasised for public service improvement, as seen in chapter 2 (Pollitt and Bouckaert, 2000). Both Conservative and New Labour Government have constantly generated a series of policy initiatives to increase the economy, efficiency and effectiveness of public organisation under the impact of NPM (Hood, 1991; Martin, 2002). The UK local government has also been one of public areas to be reformed in that it spends approximately a quarter of public expenditure and delivers a range of public services including education and social care (Laffin, 2008).

Therefore, a series of local government reform policies under the name of ‘Local Government Modernisation Agenda’, which are all strongly influenced by NPM, has been introduced by the Labour Government since 1997. These policies range from new council constitutions to various initiatives for better service delivery. For example, they are ‘Local Public Service Agreement’ (LPSA) between central government and individual local authorities; requirements to establish ‘joined-up’ local strategic partnerships (LSP); and a new approach to local coordination in Local Area Agreements (LAA); and funding competitions as ‘Beacon Councils’ (*see* chapter 3). New performance management regimes for local government have also been enthusiastically introduced. They are BV and then CPA. Wilson (2004) particularly argues that many initiatives for local government reform are based on the idea of NPM as follows:

The variety of externally-imposed policy initiatives to which local government has been subjected in the last quarter of a century reflects the ascendancy of essentially neo-liberal, New Right, theories of public choice, the rejection of conventional approaches to public administration and its replacement by NPM (Wilson, 2004: 63).

However, efforts to improve the performance of local government pre-dated the New Labour Government. For example, CCT was introduced in 1980 by the Conservative Government as a tool of local government reform. CCT also aimed to improve the performance of local government, particularly focusing on 'economy' and using 'market'. As a result, CCT, BV and CPA can be said to follow the proposition of path dependency¹⁵⁰ (Gains et al., 2005), since they are all NPM-type programmes and thus have a tendency of a similar policy direction. They are all 'centrally run and management-focused' to improve local government performance, such as economy, efficiency and effectiveness. They also have a similar propensity to take over or engage with poorly performing authorities. Therefore, CPA is regarded as a direct successor to CCT and BV (Wilson and Game, 2006: ch. 17; Game, 2006: 470).

CCT was the strongest policy for local government reform during the Conservative Government. Under CCT, each council had to compare the provision costs of specific public services by their own employees to those of any interested private contractors, and then award service contracts to the most competitive bidder¹⁵¹. CCT seems to have contributed to the improvement of local government performance through planting the concept of economy and competition as 'the order of the day' (DTLR, 2001: para. 1.3). It would also challenge the 'dependency culture' in the Welfare State and thus lead to smaller government where public services are provided by public or private organisations (Wilson and Game, 2006: 355). However, CCT resulted in some negatives, such as the negligence of service quality, uncertain efficiency gains, destroying staff's morale, and finally the lack of interest in continuous improvement (DETR, 1998a; b; Game, 2005).

CCT was abolished by the New Labour Government and replaced with a new regime, 'Best Value' which is also another NPM-type reform programme. This was because despite the necessity of abolishing CCT, other NPM emphases on, for example, customer care, quality service, strategic and performance management were still valid in the UK public sector (Game, 2005: 7). Influenced by NPM, the New Labour

¹⁵⁰ For details regarding path dependency in political science, see Steinmo et al. (1992), Krasner (1994) and Pierson (2000).

¹⁵¹ When local government was the lowest bidder, it should adopt a Direct Service Organisation (DSO) which was obliged to maintain separate trading accounts.

Government's interest in 'service delivery' also contributed to the introduction of BV. In this government, service delivery has remained as a principal agenda regarding public sector reform in the UK government (Efficiency Unit, 1988; HM Treasury, 1998a; b). 'Getting results or outcomes' and 'the interest of consumers' has been more emphasised than 'less spending' and 'that of producers'. For service delivery, many agencies¹⁵² have been created and a range of management tools or skills have been introduced in central government, such as Public Service Agreements (PSAs) in 1998. In fact, BV and CPA have been regarded as a central means to delivering PSA targets by central government departments (AC, 2006a: para. 36).

In addition, the New Labour government sought to reinvest in local public services and so the expenditure for those has significantly increased in since 1997¹⁵³ (AC, 2006a). More general power was also given to local government which was known as the power to achieve 'well-being' by the LGA 1999 (*see* chapter 3). These resulted in a need to control the increased spending of local government by central government, because the latter hardly believe that the former's accountability would be well secured through local elections or increasing consumer choices (Kelly, 2003: 462; Laffin, 2008: 116; Campbell-Smith, 2008: 428).

In this context, it was inevitable to emphasise economy, efficiency and effectiveness incessantly in the service delivery of local government and BV was thus introduced as a scrutiny mechanism to ensure whether councils was meeting national performance targets to improve outcomes for residents (DETR, 1998b; Humphrey, 2002) In other words, BV aimed to improve local public service and enhance the accountability of local government, which was to be subject to external inspection and performance data. All local authorities since 2000 have been enforced to make arrangements to secure continuous improvement in their functions and services in terms of standards and targets relating to the 3 Es¹⁵⁴ and then audited and inspected by the AC¹⁵⁵ whether they achieve the best value (DETR, 1998c).

¹⁵² According to the Next Steps initiative, more than 150 agencies have been created, covering 76% of the Civil Service, which includes almost 390,000 civil servants (OECD, 1999).

¹⁵³ An example of this is seen in current education expenditure which increased about 40% between 1998/99 and 2003/04; capital expenditure on education was more than doubled in the same period

¹⁵⁴ This is well seen in 1998 White Paper as the following: 'A modern council - or authority - which puts people first will seek to provide services which bear comparison with the best. Not just with the best that other authorities provide but with the best that is an offer from both the public and private sectors. Continuous improvements in both the quality and cost of services will therefore be the hallmark of the modern council and the test of best value' (DETR, 1998a: 64).

¹⁵⁵ BV was not limitedly applied to local government, but applied to other organisations such as national park authorities, and fire and rescue authorities.

The logic of the BV regime was simple. First, each local authority makes its own plan on how spending and service delivery are optimised. Second, it reviews how the plan is progressing. Third, auditors assess both the plan and review and finally, inspectors with professional skills inspect selected aspects of local services in detail. Therefore, councils have been required to produce an annual Best Value Performance Plan (BVPP), by which they account for the efficiency and effectiveness of service delivery and for future plans. They also had to undertake Best Value Reviews (BVRs) of service-specific services or cross-cutting services/themes over a five year period, based on the BV principles, known as 4 Cs¹⁵⁶: ‘challenge, compare, consult and compete’ (DETR, 1999: para. 44). For BVPP and BVR, a range of performance indicators (BVPIs) were nationally and locally set and councils had to meet central standards for national BVPIs (DETR, 2000b).

BVPPs and BVRs were subject to the external audit of whether councils met statutory requirements: information and data were accurate: and targets were realistic and achievable (DETR, 1999). Based on auditors’ opinions, BVRs were in detail inspected by BV inspectorates such as the AC and Ofstead. The quality of services as well as the prospect for improvement was assessed through interviews with staff, documentation checks and visits. Scores of each service/function were awarded on two scales: ‘quality of service’ (0 star - poor to 3 star - excellent) and ‘prospects for improvement’ (‘no’ to ‘yes’) (AC, 2000c).

Local authorities with top-performed services were positively named and retained a good reputation. They were also awarded by ‘beacon council’ status whereby the best services were published in good practice manuals and seminars. On the other hand, those with the worst-performed services were shamed with increased central government intervention according to the LGA 1999 (*see* chapter 3: AC, 2000c). As Stewart (2003: 129) notes, the existence of its intervention could give ‘greater weight to the inspection and audit processes as possible triggers for intervention’. For this reason, BV is often referred to an embodiment of the New Labour’s ‘carrots and sticks’ approach (Humphrey, 2002: 45; Wilson and Game, 2002: 164).

Some studies indicated that the BV regime contributed to the improvement of local government performance: e.g., it helped councils to challenge and focus on better performance (AC, 2001; Entwistle et al., 2003). However, it was criticised on the side of costs and time, and many outcomes of local government were often indicated to

¹⁵⁶ *see* DETR (1999a).

demand longer time to be assessed (Entwistle et al., 2003). BVPPs were usually prepared by officers for external audit and inspection rather than by political debates about values and priorities. In fact, BVPPs were just councils' compliance with central government manuals rather than their own interpretation for the best value services in their areas (Campbell-Smith, 2008: 472). In addition, BV inspection reports were also difficult for public people to understand, since they were made through in-depth inspection with professional knowledge and delivered separately service by service.

Most of all, the BV regime resulted in a heavy work load to prepare BVPPs, the volume of which were often up to 700 pages, and BVRs of diverse individual services and cross-cutting services. The Parliament clearly indicates this administrative problem as follows:

We are alarmed at the current and future impact of a developing culture of over-inspection in the public sector. This burden seems to be particularly acute for local authorities. The Government must recognise the potentially dire consequences of failing to minimise and coordinate inspections of local government (the Parliamentary Select Committee on the Environment, Transport and Regional Affairs, 2000: para. 48).

BV inspection was also problematic particularly to the AC due to its methodology - 'service by service inspection'. Local authorities were expected to produce three BVRs on average each year, but the AC confronted a heavy workload of around 4,500 BVRs to inspect for the first five months as soon as BV inspection was undertaken in 2000. In addition, BV inspection needed to spend a range of efforts and time in that BVRs were involved in a wide range of individual services in different combinations, and a number of cross-cutting reviews (Campbell-Smith, 2008). As a result, the AC had to cope with these mathematical impossible obligations.

The cost/benefit of BV inspection was also questioned in that it conducted too much in-depth analysis of small services (AC, 2001). By service by service inspection, each service of local government seemed to be equally treated. In depth inspection of individual service was often difficult for public people to understand (AC, 2001). An AC director, Paul Kirby states: 'it was just shocking mess. People had done endless, minuscule reviews of small things – because that was what they had been asked to do' (quoted in Campbell-Smith, 2008: 473). As Game (2005: 9) indicates, the New Labour Government confronted the criticisms of 'excessive centralist bureaucracy, micro-management and interventionism that were felt to characterise government policy in general and the Best Value in particular'.

In this context, the BV regime was regarded as ‘a bureaucratic mess with no future’, which resulted from too many prescriptions by the centre and an over-zealous inspection approach, by the new leadership¹⁵⁷ in the DTLR following the 2001 election (Campbell-Smith, 2008: 493). As a result, BV inspection should be abolished. The AC (2006a: para. 11) clearly admits itself, ‘the introduction of a more strategic and joined-up approach was issued from the audit and inspection of Best Value’.

The 2001 White Paper, ‘Strong Local Leadership - Quality Public Services’ was a response to this criticism by the Labour Government following the re-election in 2001. In this White Paper, central government recognised the necessity of councils’ greater freedom and wider powers for improving services and it was thus requested to remove administrative burdens and financial restriction compulsorily required by central government¹⁵⁸ (DTLR, 2001). Therefore, a substantial package of deregulation and new powers to improve local services were proposed. For example, central government proposed the reduction¹⁵⁹ of a number of separate plans and initiatives, the high level of ring-fenced grants, and the regulation of finance borrowing.

However, this greater freedom and flexibility did not come unconditionally, but another method to ensure the accountability of local government was also introduced by the 2001 White Paper: the Comprehensive Performance Assessment (CPA) (DTLR, 2001: para 1.12). In addition, it was also proposed for the improvement of councils’ accountability that additional freedom and flexibility would be given to excellent performing councils (known as ‘earned autonomy’: Mclean et al, 2007: 111), whereas poor performing councils would be intervened by central government according to CPA result. In this sense, Game (2005: 9) indicates, ‘the latest refinement of the ‘sticks and carrots’ strategy’ or Broadbent (2003: 5) similarly argues ‘hitting the donkey with the carrot’.

In a technical perspective, CPA was a revision of BV inspection as it is referred to ‘Best Value, Mark II’ in Wilson and Game’s word (2006: 369). The first framework of CPA in 2002 was based on the assessment of councils’ whole performance rather than their individual services, in order to obviate the weakness of BV inspection, as seen

¹⁵⁷ They were Stephen Byers as the secretary of state for transport, local government and the regions and Nick Raynsford as the minister particularly responsible for local government.

¹⁵⁸ Central government argues in this White Paper that : ‘we will give councils more space to innovate, to respond in ways that are appropriate to local circumstances, and to provide more effective leadership. We will provide greater freedom for councils to borrow, invest, trade, charge and set spending priorities’ (DTLR, 2001a: para. 4.6 - 4.7).

¹⁵⁹ In practice, there have been ‘signs of a reluctance by central departments to implement these proposals in full’ as Stewart (2003: 154) indicates.

above. In other words, unlike the approach of BV inspection that was operated on a service-by-service basis and stand-alone (one service at a time: e.g., planning service, drainage service and emergency management), the performance of each local authority was assessed as a whole. In fact, there was a wide-spread suspicion that BV inspection would not last as soon as it was firstly undertaken, particularly in the central government that was led by the new leadership after the 2001 election. Therefore, there were several attempts to make a new tool to replace BV inspection and the AC was particularly enthusiastic about this in order to avoid the danger that the AC might admit the failure (Campbell-Smith, 2008: 493).

The 2002 CPA assessed not only the current performance of local government but also its capacity to improve. The former was based on the combination of judgements on up to seven service blocks (education, social care, environment, housing, use of resources, benefits, and libraries and leisure), whereas the latter was on the corporate assessment of local government. In fact, the initial idea of CPA was derived from the AC's 'corporate governance inspection' which was a special kind of BV inspection (Campbell-Smith, 2008: 500). An AC director argues that:

Corporate governance is ...the single most important determinant of success or failure in effective management and an authority's capacity to provide community leadership and service improvement. We need to be able to review the running of the whole authority and tackle corporate issues affecting service quality and improvement (Thomson, W., July, 2000, quoted in Campbell-Smith, 2008: 500)

The 2002 CPA produced two judgements regarding current performance and capacity to improve (AC, 2002a; b). The score for the assessment of current performance was made by the weighted-combination of each score for seven service blocks, which was decided by a range of inspection judgements with PIs and central government reports on local government plans. Some individual service scores were made by other inspectorates such as Ofsted, the CSCI and the BFI. The score for ability to improve was based on councils' self-assessment that was assessed by an inspection team including peer groups from other councils. These two scores were finally combined¹⁶⁰ and each council was indicated into one of five categories from 'excellent' to 'poor'. As a result, residents as well as councils were provided with 'a report card' of how councils were overall performing. The first results¹⁶¹ for all 150 single tier and

¹⁶⁰ For district councils, the corporate assessment was mainly used for their CPA results because they did not deliver many services.

¹⁶¹ They showed that Excellent and Good councils between them totalled 76 (51%) and 13 (9%) were judged Poor and 22 (15%) Weak.

county councils were published in 2002 and those results¹⁶² for all 238 district councils were published between 2003 and 2004. CPA has been confined to local government, and fire and rescue authorities in England due to a devolved responsibility in the rest of the UK (DTLR, 2001).

With regard to CPA, it was generally felt that the AC satisfactorily completed a contentious and complicated job in a short period (*see* Travers, 2005: 78). The AC also believes that it succeeded in the delivery of CPA. The chair of the AC, James Strachan stated that CPA was ‘a phenomenal success’ and that ‘elements of the CPA are definitely models for the future’ (Public Finance, 22. 11. 2002). The LGA (2002; 2005) similarly indicated that CPA provided a reasonably accurate picture of local government performance, and thus has supported it. The Parliamentary Select Committee on Communities and Local Government noted its usefulness in highlighting areas where improvement was required¹⁶³, although the Conservatives have committed to abolishing the whole BV and CPA regime (Conservative Party, 2004). The CPA approach has influenced the development of other measurement tools, including the Current Capability Reviews of central government departments and the NAO’s reviews of regional development agencies (AC, 2006a: para. 36-37; Richard, 2008; Wilks, 2008).

The CPA framework was revised for better assessment and the continuous improvement of local government performance as the 2005 CPA – the Harder Test for Single Tier and County Councils. It made the overall assessment of CPA more demanding, while reducing the burden of individual service inspections. In addition, it has adopted another assessment of progress which is called, ‘Direction of Travel’. The AC refers the main objective of the new framework to ‘raising the bar by making the test more demanding than it was’ (AC, 2005a: para. 28-29). It also aimed to decrease the co-relation between CPA scores and deprivation and ethnic diversity in local areas. According to some studies (*see* Andrews et al., 2005; 2006), economically prosperous and ethnically homogeneous councils (e.g., many county councils) were likely to achieve high ratings than deprived and ethnically diverse councils which faced diverse service needs (e.g., metropolitan districts and London boroughs) in the previous CPA framework

¹⁶² They showed that Excellent and Good councils between them totalled 114 (48%) and 29 (12%) were judged Poor and 9 (4%) Weak.

¹⁶³ Department for Communities and Local Government Select Committee, Fire and Rescue Service, Fourth Report of Session 2005–06, para 108, July 2006.

The CPA framework for district councils was also revised for 2006 to 2009, but remained in almost the same framework which mainly relied on corporate assessment. In addition, the AC published the results of its Initial Performance Assessment of individual functional bodies¹⁶⁴ in the Greater London Authority in 2005 and undertook the CPA of 46 fire and rescue authorities¹⁶⁵ (AC, 2006a).

In conclusion, CPA was introduced as a new mechanism for the improvement of local government performance and accountability under the impact of NPM and tradition of centralism in the UK government. The reason for its introduction can be attributed to five principal factors.

First, such consecutive tools as CCT, BV and CPA for the improvement of local government performance are of course the UK government's response to the change of the political, economic and social environment where the public sector have to spend public resources more efficiently and perform more accountably (*see* chapter 2). As Pollitt and Bouckaert (2000) notice, a continuous theme of the Conservative and Labour governments for nearly three decades has been an emphasis on performance measurement as a means to achieve improvement in public services.

Second, just as CCT and BV were deeply influenced by NPM, CPA is also a method of NPM-type reform to improve and enhance local government performance and accountability. As seen in chapter 2, the UK is one of leading countries which have applied NPM-type reform to all the public sector so that CPA was able to be introduced as a performance measurement system of local government (*see* Wilks, 2008). The interest of the New Labour Government in 'service delivery', which was influenced by NPM, introduced CPA to get results or outcomes and ensure the interest of consumers. NPM-type reform that allows more freedom to lower levels can be likely to accompany *ex post facto* regulation on them (Sanderson, 2001) and in fact, frequent audits and inspection have become a characteristic of the UK public sector as seen in Power's word (1997), 'audit society' or in his analysis of the audit and inspection cultures and practices in the UK, and the words of Bowerman et al. (2000), 'performance measurement society'. Further, as seen in chapter 3, NPM has affected the relationship between central and local government in terms of such approaches as performance measurement and

¹⁶⁴ They are Transport for London, the London Development Agency, the London Fire and Emergency Planning Authority, and the Metropolitan Police Authority

¹⁶⁵ There are 47 fire authorities in England, but the assessment of the London Fire and Emergency Planning Authority had already been undertaken as part of an assessment of the GLA group.

performance partnerships rather than strong control and prior approval (Radin, 2007: 373).

Third, CPA is a very peculiar performance measurement tool, because central government directly assesses the performance of local government in this framework and can further intervene local government on the basis of its results. Such tools as CPA may consequently conflict with the value of local government as an autonomous political authority elected by local voters. Therefore, the introduction of CPA can be explained by the strong tradition of ‘centralism’ between the UK central and local government (*see* chapter 3). This is because CPA is a remarkable ‘exercise which could not simply be contemplated in most of any other Western European countries’ as Game (2006: 469) argues. However, as seen in chapter 3, performance measurement tools as CPA can give local authorities more freedom and flexibilities than strict control such as preliminary approval.

Fourth, CPA (or BV) was devised in a specific situation where the New Labour Government in 1997 has offered local government wider power and functions with more financial investment by the LGA 2000 (Bailey, 2004: 264) and the reduction of central regulation by the 2001 White Paper (DTLR, 2001: 40). In other words, instead of giving more freedom and flexibility to local government, CPA was introduced to ensure its accountability (DTLR, 2001: 40). Turner, et al. (2004: 217) argue that the main aim of the White Paper was to introduce CPA. Broadbent (2003: 5) also argues that CPA was a ‘key plank’ of the same paper.

Five, CPA was invented as a means to efficiently discharge the AC’s audits and inspections of local government, specifically to replace BV inspection. In order to provide people with an overall assessment of councils’ performance, CPA combines a range of audit and inspection results, including those of other inspectorates, such as Ofsted and the CSCI. Therefore, as Kelly (2003: 473) argues, CPA is a ‘logical summation of the AC’s work on VFM and Best Value’. CPA consequently helps to ‘improve the value and efficiency’ of its inspection work (AC, 2002a: 1).

In short, the investigation of the precedents of CPA (e.g. CCT and BV) and its introductory background helps in understanding what conditions drew the introduction of such a new and peculiar performance measurement system of local government by central government. It can be concluded that CPA was introduced as a NPM-type reform method in England where the public sector has been strongly dominated by NPM for several decades. The tradition of strong centralism in the relationship between

central and local government also contributed to the advent of CPA. Within these general situations, specific conditions that local government was given more powers and less constraint by the New Labour Government seemed to help the introduction of CPA. This is clearly seen in the words of McLean, et al. (2007: 113) as follows:

CPA is a typical example of a 'top-down performance management' regime as stipulated by the governments approach to public service reform, which identifies market incentives; capability and capacity improvement; users shaping services from the bottom up; and performance management from the top as the four core elements through which public service delivery is to be modified across all service areas.

2. Aims and objectives

According to the formal objectives of CPA as contained in official publications, it aims overall at 'helping councils deliver better services to local communities' through the identification of 'the actions they need to take to deliver improvement' (AC, 2002a: 2). As a diagnostic tool, CPA enables local government to know how well they deliver services for local people and communities and thus improve their performance. In contrast to CCT focusing heavily on input, CPA concerns all the performance of local government including particularly outcomes. In terms of the performance measurement of various public services, such as education, social care, housing and transport and environment, CPA facilitates the achievement of better public services and improvement of service delivery (DTLR, 2001; AC, 2002a).

Further, CPA encourages the improvement of councils' capability and capacity including leadership in local community, and partnership with other public, private and voluntary organisations (DTLR, 2001). In addition, CPA can reinforce changes that may demand difficult decisions, and help local government to focus on important issues for improvement, because it is externally conducted by the AC. Therefore, it can be regarded as a reinforcing momentum for change (AC, 2002b: para. 38).

CPA consequently facilitates 'evidence-based professional practice' and 'evidence-based management' for the achievement of better performance in local government in accordance with the Labour government's claims: 'the government for which what counts is what works' (AC, 1999b; Humphrey, 2002: 54). According to DTLR (2001: para. 3.17), the performance information provided by CPA:

- enable[s] a proportionate action plan...to address areas of concern highlighted in the comprehensive performance assessment and to help better target resources for support;
- inform[s] negotiation of targets and freedoms through local PSAs; and

- provide[s] a robust basis for action to tackle poor performance and failure.

In short, CPA aims to improve all the performance of local government regarding local services as well as capability and capacity in terms of from economy to efficiency and effectiveness. As a result, CPA acts as a major driver of improvement for local government performance and as ‘a springboard’ for an improved quality of life for local community (AC, 2002c: 1). It is regarded as ‘a cornerstone of the Government’s performance framework for local government’ (DTLR, 2001: para. 3.17).

Another important aim of CPA is to enhance the accountability of local government (DTLR, 2001: para. 3.1). CPA can contribute to the improvement of local government accountability towards the centre and people at the same time, because it not only enforces local public services to be met at national standards by local government, but also reveals its performance to the public. Since councils deliver a considerable range of public services to the public in practice, they are enforced to meet certain priorities and standards that central government sets up. This is because central government ‘must ensure that the priorities on which it was elected are being delivered and that standards are being met across the range of statutory public services’ as DTLR (2001: para. 3.11) indicates. In fact, CPA has been regarded as a central means to deliver central government policy agendas and PSA targets (AC, 2006a: para. 36): e.g., a central government department can easily deliver PSA targets in terms of setting those up in CPA. In other words, CPA can be an efficient and effective tool for central government departments to implement or deliver their policies and programmes to the public. As a result, CPA functions as a national framework of standards that local government has to meet in terms of containing a wide range of national priorities and standards. In this sense CPA can be an important tool to secure the accountability of local government to the centre.

On the other hand, another key objective of CPA is to provide residents with ‘a report card of how their council was performing overall compared to other councils’ (AC, 2006a: para. 13). Since CPA provides a single label or star rating to each council, it can help local people recognise their councils’ performance more easily and thus be used as evidence to reward or punish their local councillors in local elections. This possibility of ‘public awareness-increasing’ might enforce local government to focus more strongly on the needs of their communities (AC, 2006a: para. 34; Tilbury, 2006: 56).

In short, CPA provides central government, councils and public people with a clear performance profile for each council. DTLR (2001: para. 3.24) indicates this as follows:

To enhance local accountability the Government will publish clear and concise performance information from these assessments for each class of authority. This will include a scorecard available to the public so they can see how well their council is performing.

In addition, CPA helps central government regulate councils proportionately according to their performance (AC, 2002a: 2). In other words, CPA enables good-performing councils to receive significantly reduced audits and inspection, and provides a baseline for the allocation and negotiation of freedoms and flexibilities between central and local government, and vice versa (AC, 2006a: para. 3). This is because CPA results help central government trust certain councils. In fact, the inspection number of single tier and county councils significantly decreased from 897 in 2001/02 to 214 in 2005/06 (a drop of over 70%) according to CPA results (AC, 2006a: para. 35).

On the other hand, CPA identifies poor performing councils where support or intervention is needed to tackle poor performance in service quality, especially in critical areas as education and social services (DTLR, 2001: para. 1.8; AC, 2002a: 3). Therefore, they would be more properly assisted in making up and implementing their recovery plans (AC, 2006a: para. 33).

CPA also aims to reduce the previous overlapping measures of local government (including BV inspection) for the efficiency of the AC's assessment work and the reduction of councils' burden (DTLR, 2001: para. 3.13). Before the introduction of CPA, there were many overlapping PMs of councils by central government to monitor their services. This 'overload of confusing measures' resulted in heavy administrative burden to them and 'a loss of focus on priorities' (DTLR, 2001: para. 3.12). CPA thus combines the elements and results of various audits and inspection to form an overall view of councils' performance, including those by other inspectorates, such as Ofsted and the CSCI (AC, 2007b: para. 8-9). In addition, CPA has enabled the AC to conduct a legal duty to report its findings and categorise English local authorities' performance (the LGA 2003).

With regards to the aims of CPA, it can be concluded that CPA was principally introduced to improve the performance of local government on the one hand, and to enhance its accountability on the other. These are in fact the two most important aims of performance measurement in the public sector. DTLR concludes the aims of CPA as follows:

we will shift our focus to the assured delivery of outcomes through a national framework of standards and accountability [CPA], and away from controls over inputs, processes and local decisions (DTLR, 2001: para 1.12)...With this framework...there will be an increased emphasis on delivery, responsibility and accountability...we will free up councils to innovate and deliver tangible improvements in the quality of services...(ibid: para 1.14).

3. Assessment of local government by CPA

CPA is a means by which the AC fulfils its statutory duty to inspect, assess and report local government performance (LGA 1999; LGA 2003). In relation to CPA, the AC has a dual responsibility of setting and implementing the framework of CPA. Just as the NAO is the Supreme Audit Institution playing a public accountancy role as regards central government, 'the Audit Commission for local authorities and the National Health Service in England' (AC) is its counterpart regarding councils and other public bodies in England. It is an independent body which is classified as a Public Corporation by the Office for National Statistics (AC, 2007a: 13) or academically as a Non-Departmental Public Body (NDPB) (Skelcher, 1998).

Although the AC is finally responsible for CPA, some sub assessments of CPA are undertaken by other inspectorates: e.g., the APA of education service by Ofsted¹⁶⁶ and star rating of social service by the CSCI¹⁶⁷. They are both independent public bodies governed by politically independent boards and their budgets mainly depend on inspection fees rather than government grants. As a result, although they are not investigated in detail in this present thesis, all findings about the AC is likely to be applied to them.

Based on the idea that external audit is 'an essential element in the process of accountability for public money' (AC, 2000: 3), the AC was established¹⁶⁸ in 1983 as an external audit organisation to ensure the 'independence of government audit' (Kelly,

¹⁶⁶ The Ofsted was established 1993 by the Education (Schools) Act 1992. It is responsible for inspecting the standards of all schools, local education authorities, child day care and childminding in England. It also monitors the work of the Independent Schools Inspectorate. In 2007 it merged with the Adult Learning Inspectorate and took responsibility for the registration and inspection of social care services for children from the CSCI.

¹⁶⁷ Following the Health and Social Care Act 2003, the CSCI succeeded to the previous Social Services Inspectorate and began to inspect all social care services including care homes, care services and councils in England.

¹⁶⁸ It was established through the Local Government Finance Act 1982 and the Audit Commission Act 1998 as a consolidating act. Its first formal name was the AC for Local Authorities in England and Wales. Its jurisdiction was limited to England due to the establishment of the Wales Audit Office in 2005, but its power and responsibility has expanded from audit to inspection, research and assessment (*see* the LGA 1999, the LGA 2003, the Fire and Rescue Services Act 2004, the Health and Social Care Act 2003, the Children Act 2004).

2003: 474). Its establishment can be referred to a solution to the international trend to attempt to control public finances in the face of increased public expectation and declining revenues (Pollitt 1993; Foster and Plowden, 1996).

It has nowadays audited and inspected around 11,000 bodies, such as local government, health (e.g., the NHS), housing, community safety (e.g., the police), and fire and rescue services organisations. In addition, it has undertaken such performance assessment as CPA and cross-cutting research and evaluation of central government policies and programmes. Therefore, in Stewart's metaphor¹⁶⁹ (1984), the AC might be climbing to the uppermost level of the ladder of accountability. According to Kelly (2003), the extension of its function and power depends on the change of political-administrative environment including the impact of NPM. For example, the state regulation of other public organisations has expanded from an oversight on their probity and legality to a complex mechanism for ensuring their obligations to various stakeholders.

According to the AC (1999: 1), it aims to be 'a driving force in the improvement of public services by promoting proper stewardship of public finances and helping local authorities...to deliver economic, efficient and effective services'. As a 'strategic regulator' and 'agent of improvement', the AC aims at ensuring that public money is properly spent, and improving the quality of local public services (Martin, 2004: 4). The AC judges and verifies that councils and other public bodies are fulfilling their 'fiduciary duty' - compliant with central government's regulation and are properly implementing legislation (Kelly, 2003: 465).

In addition, it has informed central government about the management and performance of councils for government policy and also advised them about how to change or provide continuous improvement (*see* AC, 1987; 1988; 2002d). Therefore, the AC can mediate central and local government and so acts as a facilitator or participant of policy network (Humphrey, 2002: 58). In this sense, Kelly (2003: 471) refers the AC to an 'opinion former', 'think tank' or 'freelance policy advisor' to the national and local government community. .

¹⁶⁹ According to Stewart (1984), the audit of legality and probity are placed at the bottom of the ladder and that of processes or systems is the next stage. Performance and programme accountability are the third and fourth levels. Policy audits are finally the uppermost level of the ladder of accountability. The higher stages of the accountability ladder rely more on interpretive judgements and less on figurative representations.

A key feature of the AC is its independence from the bodies audited or inspected, and central government, although it closely works together with them. Humphrey (2002: 57) argues that its independence is supported by four elements: physical, financial, constitutional and substantive independence. Physical independence means that it has its own separate building¹⁷⁰ and financially its most revenue is funded by audit and inspection fees despite some government grants¹⁷¹. Constitutional independence refers to its freedom to comment on government policies as well as councils' implementations, and substantive independence means the evidence-based nature of audits and inspection. The AC is accountable financially to Parliament through the NAO which audits its accounts, and politically to its board of commissioners (Humphrey, 2002: 41).

For the independence of the AC, it is governed by the Board of Commissioners¹⁷² (the Audit Commission Act 1998). The board collectively takes decisions about from its functions, structures and resources to matters and issues under consideration, although they may take into account directions issued by ministers. As Kelly (2003: 467) argues, in practice, the AC has not been 'afraid to explore any unexpected or potentially negative consequences' of government policy (*see* AC, 1998) or how councils could improve their management and performance (*see* AC, 2000b). The principle of independence is also applied to the relationship between the AC and its auditors, since they conduct audits or inspection under statutory rules so that their judgements are entirely independent from the AC (AC, 2007a: 13). The AC (1999b: 4) states about its independence:

The Commission must be seen to be impartial. The public trusts it to tell the truth; audited bodies trust it not to trim its sails to the winds from Whitehall; and, conversely, the Government trusts it not to act as an apologist for local government or the NHS.

However, the AC has faced accusations that it is the servant of central government and the master of local government (McSweeney, 1988), or acts as an agent of central government (LGC 8.11.02). This is because the work of the AC is reformatory and prescriptive in accordance with central government's intention (Henkel, 1991; Hood et

¹⁷⁰ . There exists the headquarters in London but not within Whitehall and 10 regional offices with 2,005 full-time staff members at 31 March 2007.

¹⁷¹ In 2006/07, £194.4 million among its total income of £223.6 million was related to audit and inspection fees: £118.3 million levied on local authorities and £80.2 million on the NHS. The grants, £25.9 million was from principally the DCLG (AC, 2007a: 19-21).

¹⁷² They are independent appointees by central government, who are usually given a three-year term which may be extended for the same period. There are not less than 15 nor more than 20 commissioners, including the chairman and deputy chairman. They are experts in public sector accountancy, management and service-provision. According to Humphrey (2002: 57), their independence comprises several elements such as individuality; heterogeneity; autonomy; and neutrality.

al., 1999 Humphrey, 2002). In fact, it has played ‘a pivotal role’ as ‘a significant advocate’ for NPM rather than ‘an independent adjudicator’ as Kelly (2003: 474) argues: e.g., it has been involved in the design and implementation of such tools as a range of PIs, BV and CPA. According to Campbell-Smith (2008), the AC has extended its power and function despite its concern about independency. In addition, the commissioners of the AC are central government’s appointees and are not sufficiently independent from central government in that they are often asked to resign by ministers (*see* Campbell-Smith, 2008).

The AC seems to firmly believe that external inspection is a powerful impetus for change: according to its own research (AC 2002d; Byatt and Lyons, 2001), the consequences of an external negative report have prompted improvements. However, there are general doubts on the dangers of an ever-expanding regulatory regime (DETR, 2000a) as seen in Power’s (1997) term, ‘audit society’. There is also a doubt on the effectiveness of the AC to improve the performance of local government (Walker, Guardian, 11/12/02). This can be more serious if the cost of the AC is taken into consideration. In addition, it is often criticised that the AC hardly considers such diversity and difference between councils because they depend on the standards that it or central government sets (Kelly, 2003: 474).

With regard to CPA, it is necessary to think about the AC’s role as the assessor of councils by CPA in two aspects: its impartiality and expertise. First, the political impartiality of CPA results is very important for the avoidance of inappropriate interruption in local autonomy. For example, a good-performing council ruled by a different party from the party governing central government should not be ranked as poor, and vice versa. In other words, any political interest must not be biased in the determination of councils’ CPA result, because these can shame councils and further place them into central government’s intervention, which may influence voters’ selection. The impartiality of CPA results seems to be secured by the AC’s independence, which is summarised in its four independence characteristics by Humphrey’s (2002: 57): physical, financial, constitutional and substantive independence. The LGA 2003 in addition provides the assurance of the impartiality and independence of CPA results. The secretaries or ministers that receive the AC’s performance reports of councils cannot freely revise or correct their categorisation.

Second, another important point is whether the AC has professional expertise enough to distinguish between poor and good performing authorities in the CPA

framework. Since it is not easy to develop appropriate measurement systems in the public sector, a significant volume of expertise is needed to develop and implement CPA. A balanced approach within which the whole performance of local government is examined might also demand professional expertise in performance measurement because it has a range of functions and produces a variety of services for different stakeholders. Expertise might in particular be more strongly needed in CPA, since it contains many qualitative measures, such as KLOE.

It apparently seems to have sufficient expertise in the performance measurement of councils in that it has since 1983 accumulated its professional ability and capacity to audit and inspect them and undertake many studies and analyses for its efficiency and effectiveness (Henkel, 1991: 205; Power, 1997: 116). Its expertise is also seen in the fact that it was given a responsibility for improvising the CPA framework as well as its VFM work and the BV inspection regime previously. The AC has developed its expertise and activities for the improvement of local services through ‘strategic alliances’ with IDeA and CIPFA (AC, 2003a). However, it seems that there is a need for the AC to develop the professional expertise of its inspectors since many middle level local officers were recruited as inspectors for particularly performance assessment like BV inspection and CPA (Martin, 2004: 5).

In conclusion, the AC seems to have a sufficient volume of expertise as well as the ability to keep its independence from central and local government in order to conduct CPA. However, it needs to be investigated whether the impartiality of CPA results is in practice secured and whether councils’ performance is accurately assessed by the AC’s expertise. This is because the former is decisively related to the legitimacy of the CPA framework and the latter is crucial to its validity. The expertise and political neutrality of the AC with regards to CPA will be examined in the following case studies.

4. Methodology

4.1. The CPA framework for single tier and upper councils

Since the introduction of the 2005 CPA - Harder Test, the CPA for single tier and county councils has consisted of four component assessments which evaluate different aspects of local government performance. They are:

- Corporate assessments (CA) – triennial assessments by the AC;

- Use of resources (UOR) – annual assessments by the AC;
- Service assessments (SA) – annual assessments by the AC or provided to the AC by OFSTED, the CSCI and BFI; and
- Direction of travel (DOT) – annual assessments by the AC (AC, 2007b).

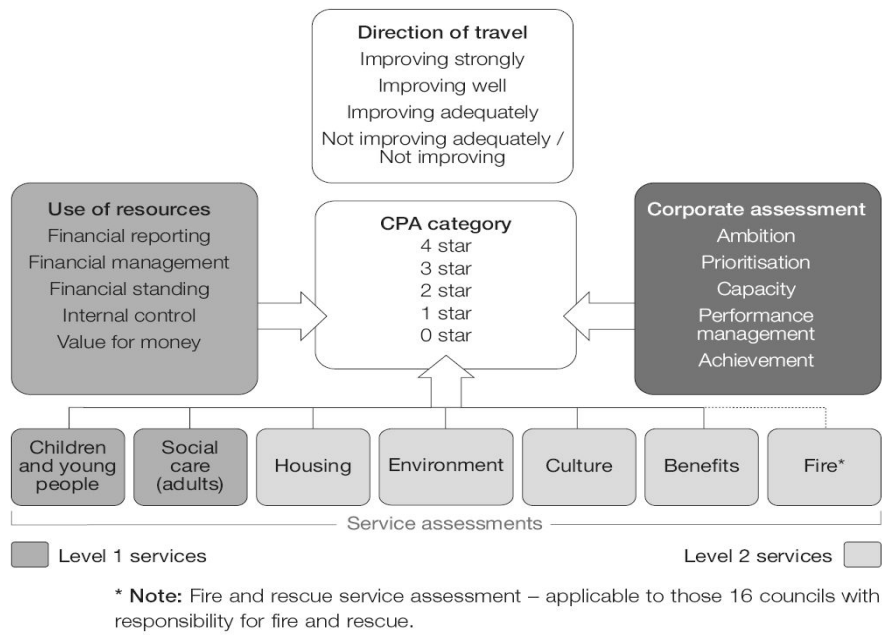
CA, UOR and SA assess the current performance or capacity of local government and their combination produces star rating from 0 to 4 star, while DOT assesses its improvement and progress in terms of four labels ('progressing strongly', 'progressing well', 'improving adequately', and 'not improving adequately') (figure 5-1) (AC, 2007b: para. 43-44).

Based on the 'shared priorities' between national policy objectives and local priorities agreed by the DCLG and the LGA¹⁷³ on behalf of central and local government respectively (AC, 2006d: para. 31), CPA includes a range of aspects or concepts of 'performance' in local government. For example, such ideas as the three Es, equity, consumer/user satisfaction and citizen participation are assessed in CPA. In addition to current services, it assesses the corporate ability of local government. CPA is considered to be more forward-looking in that DOT assesses the improvement and progress of local government. Therefore, the performance of local government is multi-laterally assessed and ranked by the two dimensions (performance scores and improvement scores) in the CPA framework. For this reason, Broadbent (2003: 5) indicates, there is 'innovation' in the CPA framework as a performance measurement approach.

CPA reflects different stakeholders' views and opinions. For example, CA and UOR can be regarded to reflect the general view of local people and officers inside councils, since they assess local government's capability and capacity as a whole. On the other hand, SA reflects service users' opinions. The involvement of peers in the process of assessment can reflect their views and benefit councils from learning each other or benchmark (AC, 2002b: para. 38).

Figure 5-1. The CPA Framework for 2005 - 2008 Single Tier and County Councils and overall categorisation

¹⁷³ See ODPM and LGA (2002a and b)



Source: AC (2007c: 12)

4.1.1. Corporate Assessment (CA)

CA is not an evaluation of particular services or functions, but of the fundamental elements – capability and capacity of local government to achieve or deliver better performance or services for local community. According to the AC (2007c: para. 46), CA focuses on ‘the importance of a sound corporate ‘engine’ to drive good services’. CA takes place only once in each council from 2005 to 2008¹⁷⁴.

CA assesses the capacity of local government in terms of five themes: ambition, prioritisation, capacity, performance management and achievement (AC, 2006d). ‘Ambition’ concerns whether councils have proper ambitions and leadership to meet the needs of residents in partnership with other organisations. Therefore, councils and partner organisations are encouraged to work together for service delivery and stakeholders are also encouraged to demand their needs and views. ‘Prioritisation’ concerns whether councils have clear priorities and robust strategies for its ambitions, reflecting national and local policies. It is also assessed whether they are well-linked to sub strategies and outcome-based action plans. ‘Capacity’ assesses whether councils have sufficient capacity to support service delivery and achieve ambitions and priorities. This theme focuses on a range of councils’ capacity (e.g., the responsibilities of

¹⁷⁴ The CA in 2005 CPA was changed a lot, in particular, to the themes of the KLOE - they were reduced in number with significant modifications. Improved outcomes and user-focus have been more emphasized (AC, 2006c: para. 9). There was also increased emphasis on community leadership, partnership and value for money.

councillors and officers, decision-making process, and staff's flexibility). Councils' internal management of projects, personnel, finance and IT resources is also assessed. 'Performance management' relates to how rigorously local authorities are managing performance. It is thus assessed whether targets are set in line with priorities in its performance management system and managers and staff focus on performance or performance management to monitor process, cost and outcomes. Councils and partner organisations are encouraged to review performance in a culture of open debate. The fifth theme, 'achievement', is divided in five sub-themes to judge how well councils are delivering services and outcomes in five shared priorities between central and local government. They are: sustainable communities and transport; safer and stronger communities; healthier communities; older people; and children and young people¹⁷⁵. In detail, it is assessed whether the shared priorities are well implemented and delivered and so the quality of people's lives is thus improved. However, this assessment of achievement in CA may be in duplicate with other service assessments. For example, SA also assesses councils' achievements of children services, social services, transport and environment and housing.

In short, CA assesses councils' corporate ability to improve services for local people. Most of all, the assessment of councils' leadership seems to play an important role in assessing their performance (AC, 2006a: para. 13). This is because political leadership is a vital element of organisations¹⁷⁶ and plays three key roles in political organisations: agenda setting, task accomplishment, and network-building and maintenance (Kotter and Lawrence, 1974). As Leach and Lowndes (2007: 188) argues, leadership provides a clear strategic policy direction and ensures a stable decision-making environment through using external networks in local government. They also argue that leadership ensures good performance in local government: e.g., effective goal achievement and policy implementation. A study by Carmeli (2006: 169) shows that the managerial skills of a superior top management team make a difference in both financial and organisational performances in local authorities, and finally deliver public value. In this sense, DTLR (2001: para. 3.16) argues that councils' high quality services may rely on strong corporate governance by their political and administrative leaders, while

¹⁷⁵ 'Sustainable communities and transport' concerns local economy, housing, environment, transport and planning. 'Safer and stronger communities' involves crime, anti-social behaviour, drug/alcohol, accidents and emergency situations. 'Healthier communities' involves health services. 'Older people' concerns services for them and social care. 'Children and young people' relates to services for them and assessed by Ofsted (AC, 2005a: para. 62).

¹⁷⁶ The importance of leadership or the top management team has been strongly noticed by different scholars in both public and private sectors (*see* Selznick, 1957; Gold, 1982; Hambrick and Mason, 1984; Castanias and Helfat, 1991; Mahoney, 1995; Becker et al., 1997; Carmeli, 2004).

political or administrative shortcomings may lead to failing in the delivery of those services.

CA assesses how effective a council's leadership is in its internal accountability, decision-making and relationship between senior managers and staff. It also assesses its leadership between other stakeholders and partner organisations to promote partnership working and inspire them to achieve its ambitions and priorities (ODPM, 2005b: 6). In this sense, CA is strongly related to the central government's intention to embed its Local Strategic Partnership (LSP) programme in localities, as Geddes et al. (2007) indicate. In other words, CA helps central government ensure how well local government follows LSP (Laffin, 2008) (*see* chapter 3).

Self-assessment by councils is a key element and principal reference of CA. In self-assessment, they are requested to highlight how they have improved services and addressed their weakness in the five themes of CA and to score themselves (AC, 2006c: para. 4). A range of documents and even non-documentary evidence can be used as supporting sources for self-assessment. Following the review of self-assessment, CA is conducted by an on-site fieldwork, which is an in-depth inspection by assessment teams including a peer officer and councillor.

Self-assessment is a distinct characteristic of the CPA methodology. In fact, CA, DOT, the SAs by Ofsted, the CSCI and BFI, and VFM assessment in UOR are primarily based on self-assessment. It may produce many advantages to the CPA framework because the performance measurement of local government is somewhat difficult due to its political characteristics (*see* chapter 2 and 3). Self-assessment helps make CPA undertaken more easily and assess the performance of local government more accurately in that it can reflect diverse local circumstances within different stakeholders. In addition, self-assessment helps councils review and re-think their performance by themselves and provide feedback for better performance (AC, 2002b: para. 38). In this point, self-assessment in CPA can play an important role in the context of councils' TQM as Broadbent (2003: 6) argues. Self-assessment may reduce some perverse effects, since it can be regarded as 'a bottom-up approach' (*see* chapter 2). It also helps the AC undertake CPA at a cheaper cost and in an easier way instead of provoking perverse effects.

However, self-assessment may fail to focus on substance or real performance but depend on a presentation or communication (the performance of performance). In other words, improvement in CPA results may be the result of councils' learning how to play

a game, as Broadbent (2003: 6) argues. Therefore, it can be true that ‘the most effective bureaucrat is the best actor’ as MacIntyre (1984: 107) argues. In addition, self-assessment may cause a considerable amount of transaction costs to councils.

In CA, councils are not judged and scored by PIs, but by the key lines of enquiry (KLOE) which are key questions for judgements in each of the five themes (table 11 in Appendix). Each KLOE has criteria for a scored judgement, which provide an indication of expected performance levels, and so councils’ performance is designated into its ‘best-fit’ criteria (table 12 in Appendix). (AC, 2006d: 4). The score of each theme is then combined in an overall CA score (from 1 to 4) for councils according to a set of rules (table 13 in Appendix) (AC, 2006d: 5).

The KLOE and best-fit model are distinctive characteristics of CA, because they are qualitative PMs. They seem very useful to assess the capability and capacity of local government, because those are unlikely to be easily measured by PIs. However, these qualitative PMs are often criticised for the problem of ‘objectivity’ and it is thus needed to investigate what this problem is like in practice.

4.1.2. Use of Resources (UOR)

UOR¹⁷⁷ annually assesses how well councils manage and use their financial resources. It focuses on ‘the importance of having sound and strategic financial management’ to achieve councils’ priorities and improve services (AC, 2007e: para. 1).

Similarly to CA, UOR makes judgement in five themes to produce an overall assessment: financial reporting, financial management, financial standing, internal control and value for money (VFM). ‘Financial reporting’ assesses whether a council’s accounts are compiled and published to the public in accordance with statutory standards. ‘Financial management’ assesses how well a council manages its finance and budget in relation to strategies, business plans and programmes. It also assesses financial information systems that monitor and report performance against budgets. ‘Financial standing’ measures whether a council is financially sound regarding its reserves and balances, and spending and resources. ‘Internal control’ measures whether a council has a robust risk management process as well as an internal audit function

¹⁷⁷ UOR is closely aligned with the Code of Audit Practice (the Code) in order to reduce duplication with other audits. In other words, UOR is carried out with the AC’ annual audit of councils (AC, 2007f).

including an audit committee to prevent and detect fraud and corruption. 'VFM' concerns whether a council is achieving and improving value for money.

Following the scrutiny of councils' VFM self-assessment, auditors undertake fieldwork assessment. A range of evidence, such as annual financial statements, financial strategies, budget, and data for hundreds of PIs are also submitted to the AC.

As in CA, UOR is carried out with a set of KLOE for the five themes (table 14 in the Appendix). The KLOE for the four themes other than VFM are generally rooted in statutory requirements and the best practice, while that for VFM depends on the three Es and their optimum combination (i.e., low costs, high productivity and successful outcomes) (AC, 2007e: para. 44). The each score for the five themes are finally combined as an overall UOR score for a council by a set of rules (table 15 in Appendix).

UOR is likely to well assess the management and use of financial resources in councils in terms of its qualitative measures with PIs. However, if the cost of UOR is taken into consideration, it might be better that quantitative measures are more widely used. This is because the use of finance seems to be well assessed by way of quantitative methods amongst a range of local government performance. UOR may be misunderstood by public people as if it includes all the assessment of councils' resource spending and management. This is because it focuses heavily on their financial management, not on other resources, such as human resources and IT.

CA and UOR also seem to be duplicated at their assessment areas, because CA assesses a council's use of resources by a theme of 'capacity'. Further, UOR can be a part of the assessment of a council's capacity or capability. Therefore, UOR may need to be incorporated in CA which is a broader assessment of local government capacity.

4.1.3. Service assessment (SA) by the AC

SA annually provides the assessment of local performance which takes account of 'relevant national service delivery standards' (AC, 2007b: para. 59). It concerns six local service areas: children and young people, social care, environment, housing, culture and benefit services. The assessments of environment, housing and culture services are carried out by the AC, while services for children and young people, social care services and benefit services are assessed by Ofsted, the CSCI and BFI respectively, which provide assessment results to the AC for CPA rating (AC, 2007b).

SA for environment services observes councils' environmental performance in three sub-categories. 'Creating better environment' usually concerns planning for transport and development (e.g., time taken to process plan applications, and bus service). 'Managing the environment well' involves how well-kept areas and communities are (e.g., road clean, sanitary and waste collection). 'Sustaining a quality environment' measures councils' activities for the future generation (e.g., recycling and energy efficiency) (AC, 2007c). Each sub-category is judged separately and brought equally together in an overall score for a council's environment services.

The housing service assessment assesses councils' housing services in two sub-blocks (AC, 2007c: para. 28). 'Managing council housing' assesses whether councils meet home standards and how they maintain housing and respond residents. 'Housing the community' measures how councils care for the homeless and balance housing markets. The two sub-blocks are scored separately and combined to give an overall score for housing services.

Culture service assessment assesses councils' performance across culture services which involve a variety of activities around libraries, sport and recreation and museums (AC, 2007c). This assessment consists of four sub-themes: access, participation, quality and value for money. Therefore, this assessment concerns not only how well councils provide good culture services with better access, but how local people are encouraged to use them. However, most PIs in the SA of culture services are involved with library services so that other culture services, such as festivals and events of art and music are not sufficiently measured in CPA. Councils with a high grade in the SA of culture services may consequently disappoint people with their poor services for art, music and festivals.

With regard to SA, the AC collects a variety of service performance information through PIs and service inspections. Most PIs are BVPIs and some PIs are related to user satisfaction surveys (AC, 2007c). An overall performance information score for each service area is determined according to council's achievements for PIs which are compared against pre-determined thresholds (table 16 in Appendix). Some collected data are adjusted to relieve significant local deprivation which may affect its performance (adjusted PIs), and cost PIs are also used to take account of relative costs in different areas (adjusted costs)¹⁷⁸ (AC, 2007c: para. 42-60). In addition, any relevant

¹⁷⁸ The adjusted PI value is calculated by the following equation (Adjusted PI value = original PI value - linear function of deprivation) and so the higher is the level of deprivation, the greater is the adjustment. .

inspection reports of environment, housing and culture services published in the latest three years are used to determine the inspection score of SA (AC, 2007c: para. 18). For example, all relevant inspection scores reported between 2005 and 2007 was included in the 2007 SA. Overall SA scores for environment, housing and culture are finally determined by a set of thresholds which is applied to the weighted combination¹⁷⁹ of the performance information score made by PIs, and the inspection score from service inspections (table 17 in Appendix) (AC, 2007c: para. 6).

Since the SA of environment, housing or culture is measured by quantitative methods such as PIs or previously published inspection reports, the qualitative aspects of these services may not be easily assessed. Therefore, data for some PIs are collected by user satisfaction surveys. Another noticeable fact is that the AC uses adjusted PIs and relative costs in order to relieve significant local deprivation. This is very important to ensure not only the validity of CPA but also central government's correct decisions to intervene in poorly-rated authorities by CPA (Andrews et al., 2005; 2006; Laffin, 2008: 121). Although this may not be sufficient to overcome the differentiation between local authorities, it can help the CPA framework to be more valid to show the performance of local government.

4.1.4. Service assessment (SA) by other inspectorates

An annual performance assessment (APA) of local government's children services is undertaken by Ofsted in two dimensions (the Education and Inspections Act 2006). First, it assesses a council's current services for children and young people, which are related to five key outcomes in the 2003 Green Paper, *Every Child Matters*. They are 'being healthy', 'staying safe', 'enjoying and achieving', 'making a positive contribution', and 'economic well-being'. Second, APA also judges a council's capacity to improve those services¹⁸⁰ (Ofsted, 2007b: 4-5). However, the scored overall judgment of councils' current children services is merely sent to the AC and used in CPA¹⁸¹ (Ofsted, 2007a: para. 2).

Cost PIs are adjusted to explain differences in labour costs and business rates according to the DCLG's area-cost adjustments (AC, 2007d: para. 50).

¹⁷⁹ Weights on the combination of performance information scores and inspection scores vary at different services and authority types, but the latter are generally weighted from 0 to 30.75% (AC, 2007d: para. 6).

¹⁸⁰ Judgement for capacity to improve children services is not related to the CPA, and so the details of this are omitted in this research. In short, it is a similar assessment to CA in CPA (*see* OFSTED, 2007a; b).

¹⁸¹ Before May 2007, CPA was based on the APA score for most councils except for those who had a Joint Area Research. In the latter case, the JAR score was used in CPA. However, since May 2007, APA

APA is based on councils' self-assessment and so councils submits to Ofsted either the review of its children and young people's plan (CYPP) or revised plan, as a self-assessment (Ofsted, 2007a; b; c). Following the investigation of self-assessment with evidence, Ofsted visits councils just for a discussion about emerging judgements and evidence. A range of evidence, such as inspection reports, survey results¹⁸² and data for PIs is collected and analysed. Each of the five themes in APA is rated by 'a set of key judgements', which are similar to KLOE in CA, and grade descriptors (table 18 in Appendix). An overall judgement of the five outcomes is also made by grade descriptors in a 'best fit' model (table 19 in Appendix).

SA of social care services for adults is the responsibility of the CSCI¹⁸³. As in APA by Ofsted, both current service delivery for seven outcomes, and two domains of capacity¹⁸⁴ are judged in this assessment, in accordance with the 2006 White Paper, Our Health, Our Care, Our Say (CSCI, 2007). The judgement for current service delivery is merely used in CPA (AC, 2007b: para. 103). The seven outcomes are 'better health and well being'; 'better quality of life'; 'making a positive contribution'; 'choice and control'; 'freedom from discrimination and harassment'; 'economic well being'; and 'personal dignity and respect' (table 20 in Appendix).

The CSCI collects a range of evidence across social-care services: for example, self-assessment, data for PIs¹⁸⁵ and inspection reports (CSCI, 2006). Councils are respectively awarded separate judgement in each of seven outcomes, through the key lines of assessment (KLOA), which are similar to KLOE in CA (table 21 in Appendix). For the overall judgement, the assessment results of seven outcomes are combined in the theme of 'current delivery of outcomes' and then provided to the AC for CPA rating¹⁸⁶ (see table 22 in Appendix) (AC, 2007b).

has been totally used in CPA, because JAR focuses only on vulnerable groups, such as looked-after children.

¹⁸² They are 'the school survey' by the AC and 'Tellus2' by Ofsted (OFSTED, 2007b: 26-27). The former focuses on schools' perceptions of supports and services provided by their councils, while the latter collects children and young people' views for those services.

¹⁸³ From 2002 to 2005, the CSCI had published star-rating for both children's and adults' social care services, but since 2006, judgement for children's services has been published by Ofsted. Therefore, the CSCI's star-rating has involved only adult social-care services (CSCI, 2006; 2007).

¹⁸⁴ The two domains are leadership; and commissioning and use of resources, but the details of them are not explained in this present this.

¹⁸⁵ These are known as Performance Assessment Framework Performance Indicators (PAF PIs) an integral base of evidence for the assessment. In the 2007 assessment, there were 19 PIs¹⁸⁵ including 6 key thresholds in 7 outcomes and 2 domain categories (CSCI, 2007: annex 3).

¹⁸⁶ Finally these two overall judgements are translated into the CSCI's star rating with more weight given 'current delivery of outcomes' which proposes proportionate approach to inspection and intervention. Star ratings and final reports of local social care service are published on the CSCI website.

The assessment of benefit services for single tier councils is annually undertaken by the BFI¹⁸⁷. This assessment is based on the 2002 HB/CTB Performance Standards (the Standards) and the 2000 Housing Green Paper (DWP, 2007). It is carried out under the four themes of the Standards (claims administration; security; user focus; and resource management) in terms of 12 PIs and 65 key enablers (table 23 in Appendix). The PIs measure the delivery of service, while the enablers assess strategies, policies and procedures in councils.

Councils need to complete a self-assessment of the enablers and report data for the PIs. A variety of evidence, such as benefit-service plans and other audit/inspection reports is also submitted (DWP, 2007). PIs are arithmetically scored by thresholds, while scores for the enablers are based on the percentage of those that have been met. All scores of PIs and enablers in four themes are weighted and combined into an overall score of a council's benefit services (*see* table 24 in Appendix).

SA is basically an office or desk-based assessment. However, SAs for education, social service and benefit service conducted by Ofsted, the CSCI and BFI respectively are significantly different from SA by the AC. First, they are based on self-assessment by councils. Second, qualitative PMs, such as a set of key judgements (for children services) and KLOA (for social services) are used to assess performance. Although a range of PIs are used, they are a part of evidence with other data, documents, and audit/inspection reports. As a result, SAs by other inspectorates may be more valid to assess the qualitative aspects of performance and outcomes. However their costs must be higher and assessment process would also be more complex, which might result in heavy administrative burden on councils. In addition, SAs by Ofsted, the CSCI and BFI repeatedly assess councils' capacity which is principally assessed in CA, although the focus of each is slightly different. This may result in additional administrative burden on councils with a duplicate spending on the same work. Therefore, these duplicate assessments of councils' capacity are needed to integrate into CA for the reduction of such administrative burden, costs and time-spending.

4.1.5. Direction of Travel assessment (DOT)

DOT is an annual assessment of councils' improvement and progress (AC, 2007b; e). In terms of recognising progress, it continuously stimulates councils to deliver good

¹⁸⁷ It was closed because responsibility for the inspection and assessment of housing and council tax benefit has transferred to the AC from April 2008.

services and makes CPA as a two-dimensional measurement system. DOT assesses councils' improvement in their own specific circumstances rather than predetermined (or objective) thresholds of performance (AC, 2007d: para. 15). Such environmental elements of each council as political, economic, socio-demographics elements and geographical location are thus considered in DOT.

DOT is a desk-based assessment and so begins with councils' self-assessment. A range of evidence from inspection reports and assessment results (e.g., CPA star rating, CA, UOR and SA) to improvement plans can be submitted (AC, 2007d). In order to track improvement and progress, DOT uses evidence that spans three time-zones: past performance and proven delivery of outcomes; present performance levels and comparative achievement of improvement; and prospects for improvement (AC, 2007d: para. 7).

As in CA, DOT uses qualitative PMs, which are known as KLOE, and thus judgement is determined by descriptors within a 'best fit' model (table 25 and 26 in Appendix) (AC, 2007b; e). DOT finally scores councils by the four labels of 'improving strongly', 'improving well', 'improving adequately' and 'not improving adequately'.

4.1.6. Reporting and re-categorisation

CPA results for single tier and county councils are annually reported. The 2007 CPA result for single tier and county councils was published on the AC's website in February 2008. CA, UOR and SA assess the current performance or capacity of local government and their combination produces star rating from 0 to 4 star (table 5-1), while DOT assesses its improvement and progress with four labels ('progressing strongly', 'progressing well', 'improving adequately', and 'not improving adequately') (AC, 2007b). For example, a county council is reported as 'improving well and demonstrating 3 star performance'. The star rating of CPA as a composite indicator is so simple that public people can easily understand how well councils deliver services and improve capacity (Jacobs and Goddard, 2007: 103). For making star rating, the greatest weight is given to CA and then to level 1 services (services for children and young people, and adult social care) and UOR. According to the AC (2007c: para. 83), this categorisation rule can 'drive improvement in the poorest performing services; be easily understood and transparent; and not produce perverse incentives'.

Table 5-1. The Overall CPA Categorisation since 2005

Corporate assessment	Level 1 services (including use of resources)	Level 2 services	Category
4	None less than 3	None less than 2	4 star
4	None less than 2	No more than one less than 2	3 star
4	No more than one less than 2	No more than one less than 2	2 star
4	Any other combination		1 star
3	None less than 3	None less than 3	4 star
3	None less than 2	None less than 2	3 star
3	None less than 2	No more than one less than 2	2 star
3	Any other combination		1 star
2	None less than 3	None less than 2	3 star
2	None less than 2	None less than 2	2 star
2	No more than one less than 2	No more than one less than 2	1 star
2	Any other combination		0 star
1	None less than 3	None less than 2	2 star
1	None less than 2	None less than 2	1 star
1	Any other combination		0 star

Source: AC (2007c: para. 105)

A composite PI can be used as an attractive option for accountability purposes to the public and central government and also provide policy-makers with a summary of complex multi-dimensional issues. However, CPA star rating may be criticised about its complexity of making process and its opacity of councils' performance (*see* chapter 2). First, there is a doubt whether the method of making composite star rating is valid. According to a study by Jacobs and Goddard (2007: 109), composite star rating in the NHS ratings and CPA were unstable and uncertain, because 'changes in aggregation methods' (e.g., weightings or decision rules) could have a substantial impact on results. According to Wilson (2004: 66), this composite star rating may result in 'gaming'. For example, councils may focus on those services, such as education which are more weighted.

Second, it is also criticised whether a single label of CPA star rating may distort councils' various performance and standards. In other words, there is a doubt about whether such big councils as Birmingham and Bristol with responsibility for hundreds of different services to small rural district councils - can be fitted into such simple star ranking (Freer, 2002: 6; Stewart, 2003: 155).

Third, there is a doubt whether councils' capability and capacity lead to better performance and services in practice, because CA is most importantly used to determine overall star rating. A study of CPA by Boyne and Enticott (2004: 16) shows that poor-performing councils were not distinguishable from excellent-performing councils at

their leadership, management arrangements, priorities, links to local needs and partnership working. A study by McLean, et al. (2007: 114) also presents a similar conclusion that ‘ability to improve’ scores in the 2002 CPA exhibited no correlation with ‘actual achievements’ in 2003 and 2004. They conclude that this deterioration could be from either categorisation errors (i.e. councils’ ability to improve were wrongly measured), or gaming errors (McLean, et al. 2007: 114).

The AC has a quality assurance (QA) framework of CPA results, which allows councils to request the review of their categorisation (AC, 2007b). Most of all, the QC process of DOT is very important, because it assesses councils in their own circumstances. In fact, since the 2005 Harder Test, councils have requested the review of DOT more frequently than star rating (table 5-2). In addition, the AC regularly reviews local government’s feedback on the performance of assessment teams (AC, 2007b: para. 94). SA by other inspectorates also adopts a similar process for QA (Ofsted, 2007a: CSCI, 2007).

Table 5-2. The number of single tier and county councils subject to review

	DOT	Star category
2005 CPA result	9 councils in total 150(6%)	5 councils in total 150(3%)
2006 CPA result	18 councils in total 150(12%)	1 councils in total 149(1%)
2007 CPA result	10 councils in total 150(7%)	1 councils in total 149(1%)

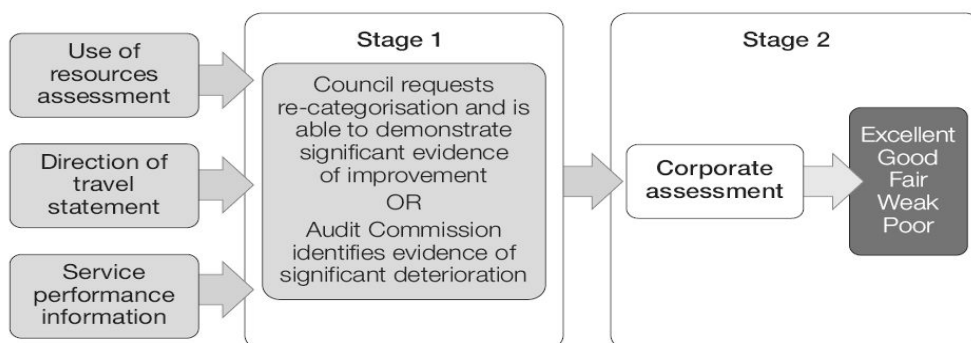
Source: AC (2005b; 2007f; 2008a)

Irrespective of whether the QA of the AC is well working or not, it may be more reasonable that the review of CPA results requested by councils is not conducted by the AC but by other organisations. In fact, it does not seem reasonable that CPA results which are decided by the AC are again reviewed by itself. Therefore, councils that are not satisfied with their CPA results have often challenged the AC in the court (*see* the AC vs. Ealing London Borough Council; 16/05/05, the Supreme Court). The Board of Commissioners in the AC can have advantages of de-politicisation, ethical expectations, transparency, consistency and accountability, in particular for CPA results (*see* Wilks, 2007). However, it is needed to ensure the objectivity of the review process of CPA results, because those are such a fateful decision that defaces councils’ fame and invite central government’s intervention.

4.2. The CPA framework for district councils

CPA for district councils comprises four components, but their overall CPA scores have been determined merely by CA results. Instead of star rating, they have been classified within five categories (excellent, good, fair, weak or poor) (figure 5-2). This is because they have smaller power and functions and so a less intensive approach has been used. In addition, CPA for districts councils is carried out according to their request with significant evidence of improvement, or finding sufficient evidence of deterioration (AC, 2006c: para. 30). Decisions on whether or not to undertake a re-categorisation activity are made by AC on a consideration of a range of evidence, including service performance information, DOT statements and UOR scores (AC, 2006c: para. 28).

Figure 5-2. District Council Framework for 2006 to 2009



Source: AC (2006a: 8)

On the other hand, UOR and DOT are annually carried out and used as key evidence sources in the AC's decision on conducting a new CA (AC, 2006c). They remain in the same framework for single tier and county councils, but DOT does not produce scores but an un-scored commentary. The service performance information is usually collected from the analysis of PIs and inspection scores by the AC. Although it does not constitute a scored SA, it is also used as a key part of evidence for deciding whether or not to undertake a new CA (AC, 2006c).

CA for district councils for 2006 to 2009 has a similar methodology to that for single tier and county councils, but is undertaken as a desk-analysis of self-assessment (AC, 2006c). It has five themes (ambition for the community; prioritisation; capacity; performance management; and achievement and improvement) and each theme is judged by KLOE and descriptors. According to the total weighted scores of the five themes, district councils are finally classified in the five categories (AC, 2006c). A QA framework also applies to this (AC, 2006c).

4.3. CPA as a vehicle for reward and punishment

As incentives can play an important role to stimulate organisations (chapter 2), CPA provide positive and negative incentives. Since it provides a basis for league tables, councils are possibly named and shamed. In addition, high-performing councils are rewarded with freedoms and flexibilities including the ‘light touch’ of audits and inspection, while a range of remedial attention in the name of engagement or intervention is assigned to poor performers (DTLR, 2001). The number of inspections of councils by central government has been decreased by almost 50% from 2001/02 to 2005 with the greatest reduction to the excellent-performing authorities (DCLG, 2006a: para. 8).

In accordance with the introduction of CPA in 2002, a programme of freedoms and flexibilities was announced. These freedoms and flexibilities are proportionate to councils’ performance (i.e., ‘earned autonomy’). For example, excellent authorities have some flexibilities in making a CYPP, Local Transport Plan and BVPP. Details of this programme are given in table 5-3.

Table 5-3. Freedom and Flexibilities for local government by the CPA Category

Excellent authorities (4 stars)
<ul style="list-style-type: none">• Exemption from requirement to produce a range of statutory plans: Children and Young People’s Plan*; Rights of Way Improvement Plan*; Air Quality Action Plan; Home Energy Conservation Report; Local Transport Plan* and Bus Strategy*; Homelessness Plan; Youth Justice Plan*; Joint Municipal Waste Strategy.• Removal of all revenue ring fencing except grants passed to schools and Supporting People grant (and Supporting People grant is applied with fewer conditions)• Exemption from inspection*• Membership of the Innovation Forum
Excellent & Good Authorities (4 and 3 stars)
<ul style="list-style-type: none">• Removal of all capital ring-fencing (excluding grants passed to schools)• Freedom to provide only the minimum essential information for Best Value Performance Plans, and to annex the information to annual corporate plans rather than producing a separate BVPP
Excellent, Good & Fair Authorities (4, 3 and 2 stars)
<ul style="list-style-type: none">• Power to trade

Those with * are only applied to single and upper tier councils.

Source: DCLG (2006a: Annex a and 2006b: Annex c)

In contrast, CPA results can be used as key evidence for central government’s intervention in councils on the basis of the LGA 1999 (*see* chapter 3). The evidence for intervention can emerge from audits of financial accounts, PIs, inspection reports, Ombudsman investigations or judicial findings, but since the introduction of CPA, its results have been regarded as primary evidence. In fact, all 0 star, and 1 star councils

with a DOT of ‘not improving adequately’ rated in CPA have been subject to formal engagement with government departments (ODPM, 2003a). It can be said that CPA has an indirect, but very strong negative incentive which can place councils in the hand of central government or ultimately transfer their responsibilities to other providers (*see* chapter 3).

In conclusion, according to the CPA result, well-performing councils can be given more freedoms and flexibilities, while poor-performing authorities may be engaged or intervened by central government. However, these incentives may be limitedly effective to stimulate councils for improvement in that they are not related to personal appraisal or monetary reward (*see* Swiss, 2005). Adversely, CPA seems to offer some actual incentives to ‘poor-performing’ councils, because considerable external supports (e.g., extra funding and technical aid) are provided to them to assist ‘recovery’ or ‘turn around’ by central government and IDeA (Martin, 2004: 4). It is because CPA aims to help improve the performance of local government, not to punish poor performing councils. However, this may mean that it has an adverse incentive system where better-performing councils benefit less than poor ones (Martin, 2004: 4).

At least, CPA may produce an early warning of councils’ weaknesses so that they can timely conduct remedial action by itself. In this mechanism, local authorities are encouraged to achieve better performance and continuous improvement. Since CPA results have been used as a standard of either freedom and flexibility or engagement and intervention, CPA has become ‘a major element’ in the relationship between central and local government, which is known as ‘selectivity’ (Lowndes 2003; Pratchett and Leach, 2003; Andrews, et al., 2005; Game, 2006). Therefore, CPA has increasingly become important (Jones and Stewart, 2003) and thus the CPA measurement of councils must be technically sound (Andrews, et al., 2005).

4.4. Conclusion

The methodology of CPA is based on a balanced perspective of organisational performance, because it shows different aspects of local government performance, which reflect various stakeholders, such as current service delivery, capacity and capability and its improvement and progress. Therefore, the approach of CPA seems to be influenced by generic performance measurement models, such as BSC or EFQM.

The CPA framework has clearly attempted to address the known weakness of performance measurement systems in the public sector where a diverse range of values make organisational aims and objectives less clear and thus more difficult to measure (Jackson, 1993; Broadbent, 2003). CPA employs a variety of PIs and other audit and inspection results to show different aspects of local government performance and it also collects data through user satisfaction surveys in many service areas to measure long-term outcomes. Most of all, to measure the qualitative aspects of performance more accurately, CPA uses qualitative PMs, such as KLOE in its sub-assessments (e.g., CA, DOT and some SAs). In addition, CA is undertaken as an in-depth study including visits and interviews to measure the capability and capacity of local government more appropriately. As a result, CPA can assess the performance of local government quite precisely and comprehensively (*see* Humphrey, 2000: 48; Sanderson, 1998: 10). However, such qualitative measures may be vulnerable to ‘objectivity’ because it depends on inspectors’ subjective views, although the AC has QA systems. For this reason, the competence of the AC is very important. Cutler and Waine (2003: 126) argue:

While this approach has merit, it does present a number of problems and a central issue is consistency. Thus it is essential to have a method of ensuring consistency of judgement and criteria to guide inspectors. Even then, it cannot be assumed that the adoption of a systematic set of criteria or protocols will necessarily result in consistent judgements.

In fact, according to a study by Kelly (2003: 463), English councillors and local officers remain suspicious that judgements made by auditors and inspectors do not always consider fully local circumstances or are ‘always consistent’. In addition, these qualitative PMs and in-depth studies tend to result in much transaction cost.

CPA generates targets that stipulate floor standards and thresholds to determine councils’ grades, and their overall ranking leads to league tables. Therefore, CPA is a mixture of ‘target’ and ‘ranking’ systems in Hood’s (2007) classification (chapter 2). League tables by CPA can be ‘powerful incentives that steer practitioners towards focusing on improving their ranking’ as Kelly (2003: 469) argues. On the other hand, the CPA framework might result in perverse effects, because target or ranking systems are vulnerable to ratchet and threshold effects or output distortions respectively (Hood, 2007). Amongst the sub-assessments of CPA, CA may be more vulnerable to gaming (Wilson, 2004), because it is based on a ‘subjective’ approach that rests on the abilities of assessment teams. Wilson (2004: 66) indicates:

These concerns [about ‘gaming’] are even greater given the many value judgements involved in determining scores for core services and council ability. In case of the latter, for

instance, scores are given for attributes that are very difficult to measure, including ‘ambition’, ‘focus’ and ‘learning’.

In contrast to the duplication between the sub-assessments of CPA as mentioned above, the name of ‘Comprehensive’ Performance Assessment may make people or constituents confused. In a dictionary¹⁸⁸, ‘comprehensive’ means ‘including everything that is needed or relevant’ and is used as a synonym of ‘complete’. Therefore, CPA star-rating can be accepted by the public as an assessment of a council’s overall performance. However, it does not catch all important performance and achievements of councils. For example, CPA does not deal with their various cultural activities beyond library services. Neither is a council performance related to economic well-being assessed sufficiently in CPA, because it is merely slightly measured in CA¹⁸⁹. However, the achievement of economic well-being has been significantly emphasised as an important function of local government (*see* the LGA 2000; the 2001 White Paper). Therefore, a council with a high star rating may not have achieved high economic well-being or economic development. In short, although CPA tends to show a rounded picture of councils’ performance, it does not assess every important aspect. As a result, the term ‘comprehensive’ can be misunderstood by the public. UOR may also be misunderstood, because it merely focuses on financial resources, not on other resources such as human resources and IT.

There is another critique about ‘the phenomenal cost and burden’ of CPA (Wilson and Game, 2006: 168). According to Martin (2004: 4), the main concern of performance measurement in the UK public sector is ‘the spiralling cost of inspection’. For example, external inspection of public services cost £550M in 2002/03, compared to £250M in 1997/98 (OPSR, 2003). In the same period, the costs of the CSCI almost doubled; Ofsted’s costs rose from £88M to £201M; and the AC’s total budget increased from £111M to £217M with its workforce growing by almost 90%. A 2004 survey of county councils found that each county was spending almost £500,000 a year and an average of 2,555 days handling inspections, which in all 36 counties equated to over 400 staff working full-time on inspection at a cost of £15.7 million (Marinko, 2004: 5). For this reason, Hetherington (2004) argues that inspection has become an industry at a cost to taxpayers of around £600M annually.

¹⁸⁸ *See* Collins Cobuild Advanced Learner’s English Dictionary, 2006, Harper Collins Publisher.

¹⁸⁹ It is assessed by the sub-theme of ‘sustainable communities’ which belongs to one of five themes in CA, ‘achievement’.

In order to publish the first round of CPA in 2002 including the development of the CPA framework, the AC cost around £10 million (AC, 2002b: para. 37). Councils have also been spending a significant amount of money in undertaking CPA. For example, the CPA fee¹⁹⁰ that Bristol City Council paid in 2007/08 was £552,925 (in detail, £186,000 for UOR, £11,063 for DOT and £23,737 for SA). For CA in 2006, it paid around £400,000 to the AC. In addition, councils might pay much indirect cost, time and energy for CPA, as transaction cost (*see* chapter 2). Therefore, CPA may distract councils ‘from serving the local public to serving national inspectors’ (Wilson and Game, 2006: 168). In a similar case, Pratchett and Leach (2003: 266) indicate that many councils considered BV as an all-consuming process distracting councils from their work.

In conclusion, the methodology of CPA seems to be valid to show a broad range of performance of local government, because it is based on the balanced perspective of performance and employs qualitative measures alongside with a range of PIs. As Broadbent (2003: 5) indicates, CPA is ‘the pinnacle in a hierarchy’ of PMs. This means that a range of information of local government is pulled together to show a variety of aspects of its performance in a rounded picture. Therefore, the introduction of CPA is regarded as a positive development in itself (AC, 2002b: para. 38). However, it has some weak points that may corrode its validity, for example, the possibility of perverse effects and high cost. Therefore, it is necessary to investigate whether CPA is in practice valid to assess the performance of local government comprehensively, and functions positively for local government.

This chapter is dedicated to analysing the introductory background of CPA, its assessor – the AC and formal framework through literature review. It shows that CPA is path-dependent on CCT and BV to improve local government performance and its accountability in response to environmental changes. The AC seems to have expertise and political neutrality in the assessment of local performance by CPA. The analysis of its methodology shows that it has a balanced assessment approach to manage a range of performance demanded by different stakeholder. On the other hand, this chapter underlines the necessity of investigation of whether CPA is achieving its aims, how enough the expertise and political neutrality are ensured and how valid, legitimate and functional CPA is to assess and improve local performance in practice without perverse effects. All these questions will be addressed in the next chapter in terms of fieldwork.

¹⁹⁰ This data was collected from internal materials of Bristol City Council during the case studies in this present study.

Chapter 6. Experience in England: Case Studies of CPA

As seen in chapter 5, CPA has been introduced to enhance the performance of local government, improve local public services and finally ensure its accountability. In formal institutional aspects, it seems to be appropriate enough to achieve their aims through their balanced approaches. However, it is necessary to examine how well it operates in practice, because reality can tell a different story. There are some necessities to carry out such empirical research as case studies on CPA. First, CPA might fail to deliver their aims and purposes or may not function positively, because performance measurement is a somewhat new management skill in the public sector. In fact, it is not merely isolated policy to be implemented by local government, but aims to manage local government more efficiently and effectively as a new institution. Second, there are more specific reasons to examine how CPA is functioning in the field. Performance measurement can result in perverse effects and be even more difficult in the public sector than in the private sector on the one hand. On the other hand, since CPA may conflict with local autonomy, they may fail to achieve their objectives. It is therefore necessary to investigate how validly CPA and JPA have in reality been designed to assess local government; how well they have achieved their goals and objectives without perverse effects; and finally how much they have contributed to improving the performance and accountability of local government. All the discussion about CPA above is absolutely meaningful and important to JPA – how JPA is working in practice.

This chapter will examine how CPA is working in practice, following the presentation of a framework for fieldwork and the brief information including CPA results about two councils – Bristol City Council and Devon County Council. The same request for carrying out case studies on JPA will also be fulfilled in chapter 8.

1. The framework for the case studies of CPA and JPA

A framework to assess the practical aspects of CPA and JPA can be derived from the characteristics or conditions of good PMs or measurement systems in the public sector. As seen in chapter 3, there have been many attempts to present conditions or checklists for ideal measures and measurement systems, which are frequently expressed by such terms as ‘comprehensive’, ‘bounded’, ‘relevant’, ‘valid’, ‘timely’, ‘reliable’ and

'clear'. However, they might result in trade-offs against each other, and thus Bouckaert's (1993) model of three dimensions in performance measurement systems may be helpful to analyse how CPA and JPA are functioning in practice (*see* chapter 3).

Bouckaert (1993: 31-32) argues that effective performance measurement systems have to meet the three conditions of 'validity', 'legitimacy' and 'functionality' at the same time. According to Bouckaert (1993: 31), valid PMs should be so 'sound, logically correct, cogent, convincing and telling' that they can be 'relevant, meaningful and appropriate' to measure organisational performance. The basic idea behind legitimacy is that effective measures cannot be forced down from the top of an organisation, but must be accepted by lower-level employees who control performance (Bouckaert, 1993: 37). Legitimacy also requires opening performance measurement systems to citizens because citizen involvement helps in ensuring that public organisations can produce and deliver services more efficiently and effectively. Finally, PMs and measurement systems have to contribute to the maintenance or development of an organisation (Bouckaert, 1993: 34). If not, they become useless or even cause dysfunctions and perverse behaviours threatening organisational goals and objectives.

In this sense, case studies in this thesis can examine CPA and JPA against the criteria of validity, legitimacy and functionality and place them in one of Bouckaert's eight types of performance systems (chapter 3). However, there is a need to modify his definition or assumption about three criteria in order to evaluate CPA and JPA in practice. This is because it is based on the supposition that performance measurement systems are principally developed by and used within a certain organisation, but CPA and JPA are placed in inter-governmental relations: i.e., both are an external assessment system of local government developed by central government. First of all, the concept of legitimacy needs to be extended to and examined in the relationship between central and local government. Since CPA and JPA have been introduced and undertaken by central government, they might conflict with 'local autonomy'. As a result, their legitimacy should be investigated in inter-governmental relationship as well as within local government. For example, it is additionally needed to examine how much local authorities can involve the development or operation of the CPA and JPA frameworks; and what they accept both frameworks like: e.g. either a helpful mechanism for improvement or a control system of locality by the centre. It is also necessary to evaluate how credible and politically-neutral the assessment results of CPA and JPA are, because those can be vital for their legitimacy as well as validity.

For the thorough empirical analysis of both frameworks, this present research associates Bouckaert's model with a range of other checklists or conditions for ideal PIs or measurement systems suggested by others, such as Jackson (1988: 12); Likierman (1993: 15-21); Hatry (1980: 313-314); the AC (2000a: 16-20; 2000b: 7-11), Poister (2003: 88-106) (*see* chapter 3; Appendix). Bouckaert (1993) argues that valid PMs should be sound, desirable, convincing and telling. However, more items of validity, such as *understandability* (Hatry, 1980); *feasibility* (Jackson, 1988); *focus, alignment* (AC, 2000b); or *meaningful and understandable, cost-sensitive/non-redundant* (Poister, 2003) can be useful to evaluate how valid CPA and JPA are. For example, 'understandability' seems to be particularly meaningful because both are complex systems with many sub-assessments which contain a wide range of PMs involving different aspects of performance.

The concept of functionality is also extended in this thesis, since CPA and JPA are comprehensive assessment systems covering all aspects of local government performance. For example, it is necessary to investigate how both frameworks have influenced its efforts for better performance, including its decision making, budgeting, organisational structure and personnel. Since performance measurement does not improve performance automatically, measurement systems should be integrated into decision-making and budgetary cycles in organisations (Likierman, 1993; AC, 2000a: 2000b). In this sense, CPA and JPA may have been influencing local officers' attitudes and morale and further making a new organisational culture to encourage local government to focus on performance improvement. The concept of functionality also need to be understood in context of the environment of local government and it is thus needed to examine what input and feedback regarding CPA and JPA have been delivered to local government by citizens. It is additionally necessary to investigate what interest is expressed by local politicians, such as mayors or chief executives and councillors¹⁹¹, since they play an important role in performance and finally have electoral responsibility to voters.

In conclusion, key questions about the validity, legitimacy and functionality of CPA and JPA are summarised as follows. First, it is needed to investigate how valid they are to comprehensively evaluate and show the performance of local government. For example, how well they reveal important aspects of its performance including

¹⁹¹ As the head of a public organisation, the chief executive is usually considered as existing in the political area. Whether s/he is elected by voters in Korea or appointed by elected politicians in England, s/he has strong political responsibility for organisations to politicians as well as constituents.

outcomes; how appropriate their PMs are; how complex and understandable their methodologies are; and whether their targets can be reached through reasonable actions will be investigated in case studies. As a result, such conditions for good performance measurement systems as *accuracy, comprehensiveness, relevance, robustness, alignment feasibility, timeliness, clarity, understandability* will be applied to examine this.

Second, the legitimacy of CPA and JPA needs to be analysed in two aspects – in the relationship between central and local government and within the context of local government itself. Between governments, the main questions are whether it is legitimately accepted for central government to assess local government; and whether the AC and MOPAS have professional expertise enough to assess local government accurately. It is also needed to explore whether CPA and JPA are developed either as a control mechanism of or as a helpful tool for local government performance; whether local government takes part in their development and assessment process; and finally whether local government has ownership of them. Within local government, the legitimacy of CPA and JPA can be ensured in terms of Bouckaert's approach. Therefore, such questions will be explored as whether CPA and JPA sufficiently reflect the opinions of lower-level staff; whether they are open to people and how much local people are involved with them.

Third, the functionality of CPA and JPA needs to be examined in three different view points: from their goal achievement, the environment of local government and their impacts on it. Therefore, it will be principally examined how well CPA and JPA have improved the performance and management of local government, and enhanced its accountability to local people as well as central government. This is supplemented by the examination of what changes have been made in the environment since the introductions of both frameworks: e.g., the changes of input/feedback from people or the change of public relations by local government. In addition, the impacts of CPA and JPA on local government can be investigated over the range of its organisational elements: e.g., decision-making and planning, budgeting, structure, working procedure/process, personnel, control procedures and reward systems, officers' morale and attitudes, and cultural change towards a learning organisation. Another important impact of CPA and JPA is perverse effects and thus it is necessary to examine whether they have resulted in perverse effects or dysfunction in local government. Additionally, there is a need to examine whether the cost, time and effort to conduct CPA and JPA are

more or less than its benefit in practice. The key questions to be investigated in these case studies are summarised in table 27 in Appendix.

As indicated in chapter 1, case studies on CPA are undertaken in Bristol City and Devon County Council with some interviews in the LGA and the AC. With regard to JPA, case studies are undertaken in Daegu Metropolitan City and Chungbuk Province, and further in MOPAS and Krila (*see* chapter 8). The details of interviewees are shown in table 1 and 2 in Appendix (20 people in England and 24 people in Korea).

Prior to the examination of how validly, legitimately and functionally CPA is operating in practice, this chapter presents a brief outline of Bristol City Council and Devon County Council in order to provide context. The concluding section presents some initial analysis and the overall conclusions about CPA from its formal and informal aspect. The volume of the comparative analysis between CPA and JPA is presented in chapter 9.

2. The case studies of CPA in England

2.1. General information of Bristol City and Devon County Council

Bristol with a population of 398,300 estimated in 2006 is a major city in the Southwest of England, and the biggest unitary authority¹⁹² as well as the seventh largest city in England¹⁹³. Bristol City Council became a unitary authority in 1996. It has been a relatively prosperous city with low unemployment rate and a significant increase in businesses, but as other big cities, it has urban problems, such as environmental pollution and high house prices and traffic congestion (AC, 2006e). There are 70 councillors representing 35 wards in 2008 and has been no overall political control since 2003, resulting in either shared or minority administrations. The current balance in 2008 is 32 Liberal Democrats, 27 Labour and 11 Conservatives, with the cabinet drawn from the Liberal Democratic Group. All key decisions are taken by the cabinet as a whole while several scrutiny committees are proportionately chaired between the two

¹⁹² According to ONS (2004), the average of population of 46 unitary authorities was 179,200; 222,900 (33 London Boroughs); 676,420 (34 county councils); 1,814,700 for 6 metropolitan councils (302,453 for 36 city councils in metropolitan councils) (*see* ONS, 2004, Mid-2001 (Revised) Local Authority Population Studies).

¹⁹³ Bigger than Bristol City Council are Birmingham (992,400), Leeds (719,600), Sheffield (516,100), Bradford (481,100), Liverpool (444,500) and Manchester (437,000) in 2008.

opposition parties (the leader and cabinet model: *see* chapter 4). In 2008, the council employs around 18,000 staff, and its headquarter consists of seven departments¹⁹⁴.

Bristol Council's general budget for 2008/09 is £508 million, including £155 million (30.5%) as a capital programme and excluding the dedicated school grant of £187 million¹⁹⁵. In their revenue spending, the expenditure of adult community is the biggest (32.6%) and successively of children's services (20.7%), leisure and recreation (10.4%), housing and environment service (7.5%), highways and transport (7.2%) and refuse collection and disposal (6.6%). It is usually financed by council tax (47.2%), NNDR (39.2%), Block Grant (7.1%) and RSG (5.5%) (*see* Bristol's Budget book 08/09).

According to the 2007 CPA scorecard published in 2008, Bristol City Council was graded as a council that is improving well (DOT) and demonstrating a 2 star overall performance (star rating). According to the sub-assessments of CPA, it was graded at 3 in UOR, and 2 in SA of children young people, 3 in SA of social care, 2 in each SA of environment, housing and culture and 3 in SA of benefit services (table 6-1).

Table 6-1. The CPA results of Bristol

	2005	2006	2007
Star rating	1 star	1 star	2 star
Corporate Assessment	(2)	2	2
Use Of Resource	2	3	3
Service Assessment (SA)			
Children and young people	1	1	2
Social care (adults)	2	2	3
Environment	2	2	2
Housing	2	3	2
Culture	2	2	2
Benefits	3	3	3
Direction of Travel	improving adequately	improving well	improving well

Source: Bristol City Council CPA scorecard 2007 (AC, 02/08)

The CPA results of Bristol City Council for the last three years shows that its overall performance has been improved in star rating from 1 star in 2005 and 2006 to 2 star in 2007 and in DOT from 'improving adequately' in 2005 to 'improving well' in 2006 and 2007. It seems that this achievement resulted from better assessment results in UOR (grade 3 from 2006), SA of children and young service (grade 2 in 2007) and SA

¹⁹⁴ They are Children & Young People's Services; Culture & Leisure Services; Planning Transport & Sustainable Development; Neighbourhood & Housing Services; Adult Community Care; Central Support Services; and Chief Executive's Department.

¹⁹⁵ The dedicated school grant is included in local government's budget, but often classified as being out of its budget, because this grant is determined by central government directly to each school and so placed out of councillors' control.

of social service (grade 3 in 2007). On the contrary, its CPA result has been constrained to remain in 2 star by the CA result conducted in 2006 and relatively weak services for children and young people.

According to the 2007 CPA result, 37% of all single and upper tier councils were ranked at 4 star and 46% at 3 star. Only 16% of them were graded at 2 star as Bristol (AC, 2008a). In addition, 33 unitary councils were ranked at 3 or 4 star (table 6-2. Most councils located in London and metropolitan area which can be considered to have similar environment to that of Bristol were also graded at 3 or 4 star. As a result, there is still much room to improve the performance of Bristol City Council.

On the contrary, its DOT result looks better, because, according to the 2007 CPA result, 16% of single and upper tier councils in England were ranked at ‘improving strongly’, 63% at ‘improving well’ and 21% at ‘improving adequately (AC, 2008a).

Table 6-2. Star rating by council types in 2007 CPA published in 2008

	councils	4 star	3 star	2 star	1 star	0 star	Subject to review
County	34	15	15	4	0	0	0
London	33	10	21	2	0	0	0
Metropolitan	36	15	14	5	1	0	1
Unitary	46	15	18	12	1	0	0
Total	149	55	68	23	2	0	1

Source: AC (2008a)

Devon is the third largest county (656,413 hectares) in England with a population of 724,700 estimated in 2005. As with other county councils, population is sparsely dispersed across 8 district councils with 28 towns and around 400 parishes in 2008. It has some rural problems, such as the reduction of young people, a declining birth rate, and economically poor performance (e.g., low productivity figure and low paid and much part-time employment below the national average (Devon County Council, 2006).

Since a Liberal Democrat majority was elected in May 2005 (33 Liberal Democrat, 23 Conservative, 4 Labour, and 2 Independent councillors), a single-party cabinet of seven Liberal Democrat councillors has been established with four Overview and Scrutiny Committees chaired by Conservative councillors (the leader and cabinet model: *see* chapter 4). In 2008, there are three service directorates¹⁹⁶ and three other support departments in Devon County Council. The council has a workforce of over 23,000 staff in 2008.

¹⁹⁶ They are Children and Young People’s Services; Adult and Community Services; and Environment, Economy and Culture. They are supported by three other directorates: Finance and IT; Personnel and Performance; and Chief Executives.

The gross budget for 2008/09 is £636 million, including a capital programme of £185 million and excluding the dedicated school grant of £349 million. In their revenue spending, the expenditure of adult services is the biggest (36.4%) and successively of children services (22.4%), highways and transport (13.3%), environment service (5.5%), and libraries and culture (3.1%). It is usually financed by council tax (40.5%), specific grants (17.3%), NNDR and RSG (19.2%), fees and charges (18.3%), block grants (4.6%)¹⁹⁷ (see Devon's Budget book 08/09).

According to the 2007 CPA scorecard published in 2008, Devon County Council was graded as a council that is improving well (DOT) and demonstrating a 3 star overall performance. In detail, it was graded at 3 in UOR and in the category of service assessment, 2 in children young people, 3 in social care, 2 in each of environment and culture services (table 6-3).

Table 6-3. The CPA results of Devon

	2005	2006	2007
Star rating	3 star	3 star	3 star
Corporate Assessment	(3)	3	3
Use Of Resource	3	3	3
Service Assessment			
Children and young people	2	2	2
Social care (adults)	3	3	3
Environment	3	3	3
Culture	4	4	4
Direction of Travel	improving well	improving well	improving well

Source: Devon County Council CPA scorecard 2007 (AC, 02/08)

Devon Council's CPA results show that its overall performance by star rating has remained at 3 star and its DOT result has also stayed at 'improving well' for the last three years. In the same time, its UOR, SA for social care service and environment service were ranked at grade 3 with relatively weak result of children and young service (grade 2) and the strong result of culture (grade 4). Similarly to that of Bristol, its CA result (grade 3) conducted in 2006 has strongly influenced its star rating with the SA result of children and young people service.

When its result is compared to other single and upper tier councils, Devon can be regarded as being a good performing council that has a 3 star rating with the DOT of 'improving well'. However, 44% of county councils (15 councils among 34) that can be

¹⁹⁷ If the dedicated school grant of £349 million is included, the proportion of financing will be quite different from this: that is, school and specific grants (45%), council tax (27.4%), NNDR and RSG (13%), fees and charges (12.4%), block grants (3.1%) (see Devon's Budget book 08/09).

considered to have similar environment to that of Devon were ranked at 4 star (table 6-3 above). Therefore, in order to be ranked as a council with ‘4 star rating and improving strongly’, Devon Council needs to improve its capability and capacity, which is assessed by CA, and services for children and young people.

2.2. The validity of CPA

Most interviewees indicated that CPA assessed and showed important aspects of local government performance. CPA was said to have been a good way of measuring performance for the entire country and comparing authorities on a centrally defined scale. CPA was also generally accepted to accord well with the mission, goals, objectives and service standards of councils. This interview result is consistent with a survey result¹⁹⁸ by Wilson (2005: 229-230) in which most respondents (79%) stated that the 2002 CPA result was a fair reflection of their authority’s overall performance. Over a half of them also agreed that the methodologies for determining service scores and star categorisation were sound and valid.

However, it was indicated by interviewees that CPA did not cover other important aspects of local government performance, such as some important local priorities which are demanded by local people in certain circumstances. A good example of this was found in Bristol which has been trying to be ‘a green Capital’, but CPA did not focus much on green issues, such as air quality and reducing CO₂. An anonymous Bristol officer said that “there is not much in here [CPA] about cycling...We are bidding to be a cycling city...So lots of things we are focussing on are not picked up by CPA” (22/05/’08). As a result, CPA does not produce sufficient performance information needed by local government so that local government depends on their own internal performance management systems to collect management information of local priorities. This accords well with a previous survey by MORI (*see* Public Finance, 22. 08. ’03; Local Government Chronicle, 22. 08. ’03). Although most of local authority chief executives and leaders (77%) agreed that CPA was a ‘fruitful exercise’, a majority (53%) believed that it did not sufficiently recognise local priorities and circumstances. As a result, CPA needs to focus more closely on what councils consider as their priorities.

¹⁹⁸ It was conducted for chief finance officers (CFOs) in 150 English single tier and county councils.

PMs in CPA were generally regarded as being valid enough to assess the performance of councils. Most of all, qualitative PMs, such as KLOE were reported to be more valid and appropriate than statistical PIs for the measurement of the qualitative aspects of performance. It was broadly perceived that such qualitative measures were ‘a reasonably good form of assessment’ and their consistency or objectivity was ‘not problematic’. This was because they were ‘pretty detailed’ with clear grade descriptors. In this context, self-assessment was reported as an opportunity for councils to tell a story of what they were doing. Local government believes that self-assessment could not distort or blur the real performance, since it has to be supported by robust evidence whose validity is thoroughly tested by inspectors. In short, qualitative measures are not seen as being ‘subjective’, but rather as being ‘strongly objective’.

On the other hand, PIs were often reported as being not valid enough to show the real performance of local government, although they have been replaced and updated. According to interviewees, they were based on the availability of data collection and so tended to focus on input or output rather than outcomes or quality. As a result, such SAs concerning environment, housing, and culture services which only employ PIs may not be sufficiently robust to show the related performance. In addition, some PIs seem to be used merely for the implementation of central government policies. An example of them was a PI of ‘trading standards’ in the SA of environment. It was given the same weight as other PIs in the SA, such as those of transport and environmental health, but councils never seemed to agree to this. Similarly, a PI of ‘new homes on brown field sites’ in the SA of environment might be out of such councils’ interest as Bristol where a huge economic boom has used brown field sites more economically (i.e., for building factories).

In addition, the PIs of cultural services were indicated as being not sufficiently valid, because they were generally related to library services rather than other culture services, such as festivals that can contribute even to the regional economy. Furthermore, it was doubted whether the SA of culture services was in reality half as important as education and social services in the decision of overall star rating for county councils. Devon County Council believes that this is not appropriate because county councils have no culture services except library services.

For the validity of performance measurement, measures should not be easily manipulated, which means that data is falsely altered to appear better than reality (the validity and reliability of data). The provision of false data can thus be fatal to the

validity of CPA. Councils believe that it is not easy to report false data, because the AC has accumulated a range of previous performance data to be used for checking and picking-up false data during data quality work.

Targets in performance measurement have to be feasible and controllable by organisations. According to interviewees, most targets in CPA were regarded as being reasonable, but some PIs seem to be unreachable by some councils. For example, social conditions in Devon did not allow it to achieve the targets of some PIs in SA of social services, such as 'households receiving intensive homecare' and 'over 65s helped to live at home'. This was because, let alone the number of those supported by these social services, the total number of people who were over 65 years old in Devon was less than the minimum numbers demanded by the both PI standards in 2006 and 2007. In short, some PIs seem to be hardly achieved in some councils, not because of their lack of efforts but because of their circumstances.

As Wilson (2004: 65) indicates, there is a doubt whether a diverse range of services provided by large and complex organisations such as councils can be accurately summarised into a single word as star rating in CPA. However, 'star rating' in CPA was reported to be reasonably acceptable to local authorities. Contrary to theory, the star rating had not interested people in practice, since they were likely to argue about their specific interest in, for instance, a certain road problem or rubbish collection, although they would have recognised star rating thanks to a similar regime in schools and hospitals.

CPA grading was reported to be a little problematic in that it put all single and upper tier councils into the same basket. Although they provide similar services, they are not located in similar circumstances. For example, Bristol Council believes that it should be compared with similar big cities such as Manchester, Liverpool, Sheffield and Newcastle. They think that their performance would not be bad when compared against those, although they have been poorly rated on the national average. This is shown the fact that there has been disproportionately many councils with a 4 star rating that are located in affluent areas (*see* the AC, 2008a). Therefore, it seems that CPA needed to be careful with categorisations which made no difference between single and county councils or urban and rural areas. If CPA does not reflect the environmental difference, there will remain in-built bias against urban authorities that have greater diversity or deprivation.

It was found that the timeliness of CPA (annual rating except triennial CA) was proper to show achievement and track progress. However, some user-satisfaction PIs in SA that are triennially measured seem inappropriate to show the performance of the year, since users may also tell a different story each year in surveys. A similar fact can be found in audit and inspection results that are reflected into scores in SA for the recent three years, because those indicated as weak points or problems by audit, inspection or CPA tend to be corrected or improved as soon as possible. An example of the inappropriateness of these three years time-lags was indicated in Bristol Council. It might have been ranked at grade 4 in SA of culture services in 2007, but was rated at grade 3, because the poor culture inspection report in 2005 and user satisfaction survey results in 2006 were still effective in 2007. A similar story can be applied to CA, because councils cannot change the result of CA for three years. As a result, the term of three years in part of CPA might flaw the validity of the CPA framework and further might result in perverse effects, for example, discouraging local officers.

The whole assessment framework or process of CPA including sub-assessments was reported to be very complicate to understand. It was thus indicated in both councils that they had frequently made explanation/briefing meetings of CPA each year. However, its PMs were said to be relatively familiar to councils, because most of them were related to BVPIs. Since CPA tries to assess local government performance comprehensively, its methodology is inevitably complex. However, as long as local officers understand PIs related to their work, the understandibility of the CPA framework does not seem problematic for them to respond to it.

The incentive of performance measurement is also important to stimulate organisations and their staff to achieve continuous improvement. However, councils hardly believe that freedom and flexibilities by CPA results are enough to stimulate them. According to interviewees, there was little incentive other than good reputation. For example, as an incentive of CPA, 4 star councils can report their BVPPs to central government in a concise form, but this is not enough because they still need to publish those and PIs to citizens. Sullivan and Gillanders (2005) similarly argue that the incentives involved in CPA are limited to few of additional freedoms or earned autonomy. A survey result of CPA by MORI (*see* Public Finance, 22. 08. '03) seems to have been still valid: a minority of chief executives (23%) and leaders (30%) were satisfied with the freedoms and flexibilities granted to excellent authorities.

On the other hand, poor performers were given some benefits, such as small amounts of extra money and advice from central government through GOR or IDEA. For example, Bristol has received such support, including extra funding for the preparation of new performance strategy. This is because CPA ultimately aims to help local government improve performance. However, if there is no sufficient incentive for excellent councils, CPA may result in a perversity of incentives: poor performing councils are treated, but excellent councils are punished.

In conclusion, the framework of CPA was generally identified as being robust and valid to assess the performance of local government according to interviewees. Most of all, councils believe that qualitative PMs, such as KLOE are robust and objective. However, it was not regarded as being appropriate to assess local priorities. There were also some concerns regarding some PIs and incentives of CPA.

2.3. The legitimacy of CPA

A distinctive consensus was broadly found between all interviewees that it was legitimate for central government to manage the performance of local government, for example, in terms of CPA. Even councillors agreed that it was important for central government to look across the country, concerning the performance of local government, and that this was what central government ought to do. Councils believe that although they are democratic autonomous organisations, they are based on the power, function and money flowed from central government and it is thus legitimate for central government to check what sorts of services they were delivering. A Devonian councillor said, “Local authorities are there to do the best for their locality but they are also there to contribute towards the achievement of national policy objectives” (interview with Hennon, D., 11/03/08). As a result, the power and authority of central government to manage the performance of local government was clearly acceptable to local government as being sufficiently legitimate.

However, it was indicated that CPA was a useful mechanism for improvement, but at the same time, a centralist and over-prescriptive attempt to control local performance. Councils thus believe that CPA should be a minimal framework of key indicators in that it was taking away resources from delivering services and achieving local priorities.

The AC was felt to have enough capacity and expertise to assess local government. Ofsted and the CSCI were also reported to have sufficient capacity and expertise to

carry out their responsibilities. According to local officers, the AC had more capacity in UOR than other sub-assessments of CPA, due to its long history of audits. CA was often regarded as a bit of CPA that were sometimes contested by councils. However, the AC was said to have become more sophisticated about the way it assesses councils, for example, the inspections of councils' self-assessment.

In this context, 'continuity' was perceived to be one of the most important factors that gave the AC a good reputation for expertise regarding CPA. Councils believe that auditors are usually able to accumulate the information of their performance and develop expertise and skills to find real performance through an understanding of their circumstances, as auditors have continuously worked with a council year by year. This could also contribute to the validity of CPA in terms of discouraging councils to manipulate data, as seen in an interviewee's statement, "If we were to try to manipulate or to present a partial picture, I think the auditors would know enough about the authority to spot it" (interview with Reynell, C., 22/05/'08). In this sense, a relation manager (RM) for each local authority, who is responsible for DOT, would be evaluated as being similar to auditors in expertise. Therefore, there seems to be a need of 'continuity' in other sub assessments in CPA, because inspection teams with little amount of background knowledge, familiarity and continuity about a council may not show enough expertise in assessment.

There is criticism that as an inherently political device, CPA might be manipulated to place certain councils into predetermined categories (Pratchett and Leach, 2003: 266). However, all interviewees stated that CPA results were politically clean and neutral, and there was no correlation between ruling parties in councils and their CPA scores. The 'constitutional anomaly' recognised by a Parliamentary Select Committee Report (DETR, 2000a; chapter 5) did not seem problematic to councils, which believe that the power or authority of decision-making about something of strong political interest may as well be delegated to independent bodies, such as the AC and the Boundary Commission.

According to interviewees, councils were more widely consulted regarding formulating CPA proposals than previously about BV, and offered many workshops by the AC. However, they believe that important things are already decided before consultation and thus their opinions are not sufficiently reflected in it. Consultation has consequently resulted in just fine-tuning of the CPA methodology rather than radical review. A Devonian officer said,

They [the AC] very seldom listen to our representations about how the whole big scheme should work, but only accepted what local government says about small questions of details and minor issues (interview with Bowden, K., 20/02/08).

This might result from the fact that CPA tends to drive councils in the direction desired by the centre and so needs a uniform framework for the delivery of national priorities. In addition, officers in the AC indicated, the responses of councils to consultation were so various that it was not able to accommodate all their opinions. In short, the development process of the CPA framework looks open to councils' participation, but they think that proposals are completely developed before consultation. Therefore, they feel that they are merely informed and have little influence on it except minor areas of details.

This leads to the lack of the ownership of CPA by local government. According to interviewees, CPA seems to have failed to give councils ownership in that they have considered it as an external regime, not their own performance management system. However, it was also reported that CPA had become embedded in councils, as they became familiar with it and its measures. A councillor in Devon stated, "We buy into it [CPA], and the more familiar you are with the process, the more buy-in you get, but I do not think ownership is the word I could use" (interview with Hennon, D., 11/03/'08).

An interesting possibility that the ownership of CPA by local government may be related to its validity and functionality was found. A director of central support services in Bristol pointed out as regards UOR:

Most of my colleagues in the finance department would agree with the AC's criteria [regarding UOR] and they find it quite helpful...they are happy to say, "I have to do this because the AC identify it as good practice." So, yes, I think there is an element of...a sense of feeling of ownership (interview with Reynell, C., 22/05/08).

In other words, even if a performance measurement system is externally introduced in an organisation by others, it might be accepted as its own tool as long as it is valid enough to measure performance and positively functions.

According to interviewees, most staff in councils were attracted by CPA scores, and the top management levels, such as councillors in the cabinet and senior managers had most concern about CPA results. In fact, chief executives and senior managers were reported as those who were keen on CPA results. This was because the achievement of a certain level or improvement in CPA scores was generally used as one of tasks in their performance agreements with the cabinet. This means that CPA results were related to their individual appraisal. The pressure to obtain good CPA results, the cascade of

responsibility for or interest in CPA scores, was reported to flow from top management levels to middle level managers. In this sense, CPA can be said to be used as a performance management tool by cabinet member councillors and senior managers.

However, frontline staff or lower-level employees were not reported to feel strong responsibility for CPA results. This is supported by a survey¹⁹⁹ by IDEA (2005) that found some major gaps of attitudes to CPA between frontline staff and managers. According to the survey (IDEA, 2005: 8), senior managers were generally more positive towards CPA than frontline employees because the former felt more responsibility for councils' performance as is common across many organisations. This might be because frontline staff are usually directed by managers and have little opportunity to be involved in the CPA framework. The representative of a Trade Union of Bristol Council pointed out as follows.

They [CPA inspectors] need to interview the union [in the process of CPA, for example, in CA] and unions should have an opportunity to give feedback on any conclusions in the draft reports [before CPA final reports]. Unions are excluded...CPA needs to engage with the unions...Performance can only be improved through the workforce (interview with Scott, I., 21/05/'08)

According to two surveys²⁰⁰ by IDEA (2003; 2005), employees working for excellent and good local authorities categorised by CPA were more satisfied with their opportunities to have an input into work planning and show their initiatives. Therefore, it is important to connect frontline staff to CPA or encourage them to participate in its process (IDEA, 2005: 8).

CPA also seemed to need to be much more open to the public because other stakeholders of local government, such as citizens or interest groups hardly participated in the process of CPA: e.g., in both developing and conducting procedures. All interviewees said CPA was not a subject for consultation with citizens and interest/volunteer groups, although some service users may have been interviewed in CPA.

In conclusion, it is difficult to say that CPA is sufficiently legitimate as a performance measurement system, although councils have accepted the legitimate power of central government to manage their performance through CPA. CPA needs to

¹⁹⁹ It was conducted by the MORI Social Research Institute on behalf of the Improvement and Development Agency (IDeA), in terms of telephone interviews of a total of 500 interviewees in May in 2005.

²⁰⁰ Both were conducted by the MORI Social Research Institute on behalf of the IDeA, in terms of telephone interviews of a total of 500 upper local authorities interviewees in August 2003 and of a total of 500 district authorities interviewees in May 2005.

be more open to local government and citizens, for example, allowing their participation and reflecting their views in the framework and process of CPA. When CPA is shared throughout councils and different stakeholders can buy into CPA, it may operate much better.

2.4. The functionality of CPA

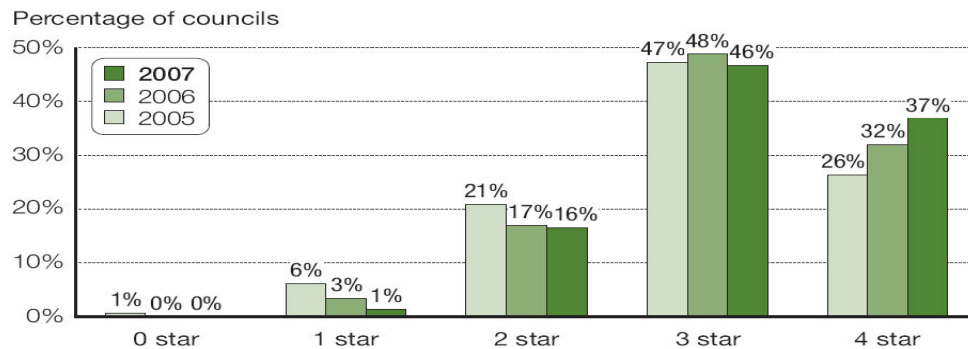
All interviewees agreed that CPA helped councils improve performance in terms of the identification of what they needed to improve and provision of an external impetus for change. It was said that councils used CPA results as a traffic light system in comparison with other councils' results for benchmarking with the best practice. Councils believe that league tables function as a driving force for better performance, because it naturally stimulates them to be categorised into the best. In short, comparative data and league tables produced by CPA have stimulated councils to improve and learn from high performing others. In this mechanism, service quality and delivery by councils have been improved and national and local priorities have been achieved.

There found some input or feedback for performance improvement from local politicians such as leaders, cabinet members and chief executives. For example, they were said to have strongly demanded better CPA results and so the good preparation of self-assessment and data. This was because good CPA results, which were externally assessed and so objective evidence for the achievement of local government, were able to be used in councillors' communication with voters for the winning in the next election. According to local officers, the better CPA scores tended to be more strongly demanded by politicians, particularly in an election year. As a result, although the process of CPA rarely interested councillors, its results often led to debate and dialogue between them and thus poor CPA results sometimes led to a thorough scrutiny of departments by scrutiny committees. For example, there was a very strong scrutiny of children services performance in Bristol and poor CPA results were known as one of the factors prompting scrutiny.

This interview results seem to accord well with the formal 2007 CPA result of single tier and county councils that showed their continuous improvement and achievement (AC, 2008a). Most councils (83%) were ranked as 3 or 4 star councils and

only 1% of councils (2 councils) located at 1 star with no councils in 0 star in 2007. This was a significant rising up in comparison with the previous results (figure 6-1).

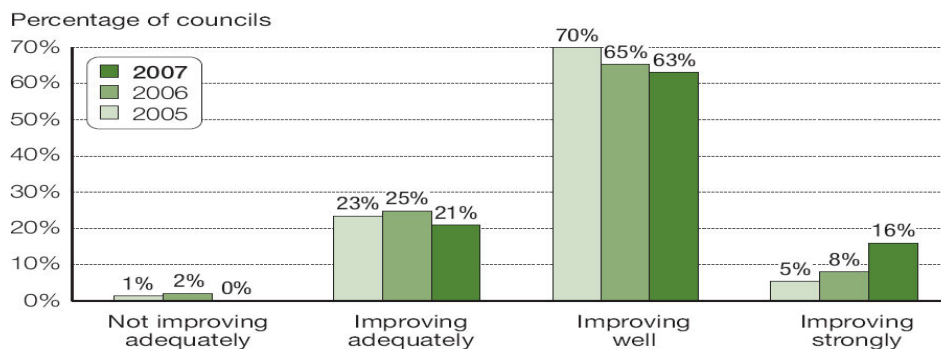
Figure 6-1. Star categories from 2005 to 2007



Source: AC (2008a: 12)

Similarly, in the 2007 DOT assessment, improvement was widespread across the country. Most councils (79%) were improving strongly or well. It was a significant improvement that 22 councils (16%) were improving strongly in 2007 compared to 8% in 2006 and 5% in 2005 (figure 6-2).

Figure 6-2. Direction of travel result from 2005 to 2007



Source: AC (2008a: 8)

According to interviewees, CPA seems to have contributed to the enhancement of local government's accountability to central government. Central government was said to be able to ensure that councils were delivering national priorities and meeting targets nationally determined in terms of CPA through their power of intervention. For example, it would be impossible to get a decent rating in the SA of children services without adopting 'Every Child Matters' issued by central government. CPA also seems to have been helpful to enhance internal accountability or management in councils: councillors and senior managers have emphasised the better CPA results to mid-level managers and frontline officers.

Contrary to theory, councils believe that the CPA mechanisms for the improvement of their accountability to citizens have not been operating well in practice. This was because most residents had little idea of CPA and thus placed no specific demands regarding it on councils. Interviewees clearly said that citizens were basically interested in certain services or issues that were directly or personally connected to their lives, such as education, social care and the level of local taxation. Therefore, people tended to take note of services about which they felt critical (e.g. poor road surfaces) or where they were personally concerned (e.g., school attainment) rather than CPA scores. An anonymous interviewee in Bristol made an interesting statement as “there were not people writing in responding to the [CPA] result, because it was not directly about services. If we do something about the bin collection service, there will be hundreds of letters” (22/05/08). Although there is commonly strong input or feedback for service quality and better delivery from citizens and local press to councils, it is likely to be caused by rising citizens’ expectation rather than CPA scores. As a result, the intention that CPA informs people the performance of local government by easily understandable CPA star rating was not successful.

It was similarly said that there had been no direct input or feedback regarding CPA results by the local press. According to interviewees, unless a council had significant change in CPA results, the local press would not run reports on CPA results in detail. Nevertheless, in the event of good or improved results, councils were said to make sure that press releases were picked up by local press and to re-publicise or advertise those to the public: e.g., presence on their web sites, stickers on councils’ vehicles, remarks on documents and name cards, and councils’ own papers. However, it was said that CPA has had no discernible effect on previous public or community relations.

The interview results in Bristol and Devon are consistent with a previous study by ODPM (2005c), which reports that CPA is the principal policy among the LGMA to strongly enhance the accountability of local government to central government, but not much to local stakeholders. Therefore, the perception of ‘demands from residents’ was not matched in reality since most citizens did not wish to become more involved with council activities (ODPM, 2005c: 51). Ashworth and Skelcher (2005) also point out that CPA have led councils see themselves as more accountable to central government, but less to local people. In this sense, as Freer argues (2002: 6), local people seem to have failed to engage with the public scorecard of CPA and thus it may be an expensive failed attempt to deliver local public accountability.

In this context, local elections were reported to be usually influenced by other elements, such as central politics and peoples' beliefs rather than CPA results. For example, there has not been a significant change in the proportion of councillors per political party in Bristol council which has been placed in relatively poor performers since the introduction of CPA in 2002. There are some earlier studies about relationship between CPA scores and local elections, which are coincident with the interview result above. According to a study by James and John (2007: 577), poor CPA results led to punishment but excellent performance was not equally rewarded in incumbent's share in English local election between 1999 and 2003. A study by Boyne, et al. (2007) differently concludes that there was found no evidence for strong relationship between CPA results and vote shares in a data set of 148 English local authorities for the period from 1999 to 2006.

Nevertheless, it was found that councils would still treat CPA results with very high priority. They have recognised that citizens may hear about what councils are doing and how officers are doing jobs. In sum, councillors' interest in CPA results seems to be not related to the direct mechanism of CPA (i.e., more strong feedback from voters) but a 'possibility' or 'proneness' of reflection of CPA scores to local elections. Maintaining good reputation seems to be literately a key driver for councils to respond to the CPA regime.

In sum, although CPA contributes to the improvement of local government accountability, there appeared to be a widening gap between central government and local people. In other words, CPA has made local government performance more visible and available, but it has not necessarily increased accountability to the public. However, CPA may contribute to the accountability of local government to constituents in, at least, an indirect way as seen in interviews above. A study by ODPM (2005c: 51) also indicated that accountability may be to do with officers' perceptions that they should 'offer avenues to citizens, whether or not they are used'.

According to a study by Broad, et al. (2007: 124), there was a lack of connectivity between PMs, such as CPA, and strategic decision-making and resource allocation. However, the introduction of CPA seems to have, at least in part, affected a range of organisational elements in local authorities. Some interviewees stated that there had been some changes in councils according to CPA results. For example, there had been a redistribution of managerial attention by politicians and senior managers on areas with low CPA scores as seen above. CPA has also affected planning in councils. An example

of this was Devon Council's 'the Excellence Programme' which set an objective that they would obtain 4 star in the 2008 CPA. Its councillors training scheme was also said to have been changed in accordance with the focus of CA. A more meaningful impact that CPA has brought in councils is seen in budgeting. Although there are not major changes, according to interviewees, for better CPA results or to redress weakness, there had been some allocation of additional resources to service areas with low CPA scores. A Devonian councillor stated:

We would not completely change the shape of our budget but if we think there is an area where we are going to fail an indicator, we would not spend a huge amount of money but we would put targeted resources making sure that we do not fail that indicator (interview with Hennon, D., 11/03/08).

In fact, both councils have put additional financial resources in library services for better CPA scores since the introduction of CPA, although they do not think that this was their priority. In addition, a few more resources were put in human resources and training as a result of UOR in Bristol. As a result, it can certainly be said that councils have put some money into areas that were graded with relatively low CPA scores.

In addition, there were changes in organisational arrangements. For example, the responsibility for property service in Bristol was reported to be redistributed to strengthen the arrangements of asset management partly because of UOR. For the better scores in the SA of children services, the team for those services in Bristol were slightly increased in 2008. It was reported that CPA PIs were generally used as part of those in councils' own performance management and some local PIs were developed for obtaining better CPA scores. In addition, CPA was reported to help councils develop or improve their own performance management tools in terms of the assistance of target setting and showing of what good performance looks like.

However, most interviewees said that there had been few significant changes by CPA in organisational structure, such as restructuring²⁰¹, replacing man-power or cutting employees; personnel policy, including personnel appraisal, promotion, wages, and training; and the motivation methods of staff members. This was because CPA was not regarded by councils as a tool that was able to show their performance perfectly or comprehensively. As seen above, important local priorities were missed in the CPA framework and some PIs hardly reflected reality. The connectivity between CPA scores

²⁰¹ A recent restructuring of the department of children services in Bristol (5 or 6 of the 20 staff were new from other authorities) was indicated to have been caused mainly by the government's Every Child Matters agenda and the poor JAR result of Bristol, not by CPA scores, but CPA scores had hardly influenced this.

and personnel policy was not achieved because of the difficulty of isolating one person or group as being responsible for CPA scores that may result from a range of different factors including environmental elements. Good CPA results seem to boost local officers' morale (self-esteem and respect), but interviewees pointed out that this was 'fairly short-lived' and rarely contributed to organisational productivity. It was also reported that CPA have not significantly influenced work procedure and process, such as the introduction of new manuals, but slightly: e.g., budget reports were made to be disclosed to the public according to UOR. The interview results regarding the impacts of CPA on organisational elements in local government coincide with two broad survey results by IDEA (2003; 2005). They found that between excellent, good, fair, weak and poor authorities categorised by CPA, there was no real difference in training, work load and process, morale, payment, management skills and attitudes to change (IDEA, 2003: 4; 2005: 6).

CPA was not reported to have changed councils into a learning organisation which can result in innovation or reform and thus continuous organisational success. A Bristol officer technically responsible for CPA said, "We have discovered that we have not been very good at learning or sharing knowledge management but it is something we are getting better at...but CPA has not really been a driver for it" (interview with Cummins, M., 21/05/'08). This is supported by a study by Brannan, et al. (2008), which shows that innovation and the adoption of the best practices were not related to CPA results in English local authorities. However, interviewees stated that there was no strong resistance against performance measurement, such as CPA or their own management systems. This may show that organisational culture which emphasises 'performance' and 'performance management' is becoming embedded in councils in practice, although learning is not automatically repeated according to CPA results.

As performance measurement often results in perverse effects, most interviewees pointed out that CPA resulted in some perverse consequences, although those were not as much as benefit effects. First, it was shown that CPA led to threshold effect and output/provision distortion (*see* chapter 2; Hood, 2006: 2007). As seen above, additional resources were put into library services to increase CPA scores. However, since councils did not believe that it deserved more resources, the amount of those was likely to be just over the threshold of PIs of library services (threshold effects) and this would also be referred to output or provision distortion. A councillor in Devon said that:

if anything falls below a certain level, you cannot get excellent in your whole star rating, but there may be areas in CPA which councils do not care about or that people do not consider

in any way important. For example, people in Devon look after library books very well and so old books still are very serviceable... [but] we have bought new books because of a central government target for turnover of library books, although this has not been our priorities. We could not be seen to go below a level 2 on this factor because it would hurt our overall result (interview with Hennon, D., 11/03/08).

This kind of distortion may be regarded by local government as a restriction on autonomous decision making. Some important decisions on what services to be provided and how to deliver those to the public may be constrained and distorted by CPA. This is because a CPA figure in a certain service would be regarded as a guideline for councils' decision making, but may often make it difficult to deal with real situations on the ground. A study by Broad, et al. (2007: 122) similarly found that such dysfunctional effects occurred to improve CPA scores, because councils did not necessarily wish to pursue a certain service strategy. On the other hand, ratchet effect (Hood, 2006; 2007) was not found in CPA since targets were determined by central government and CA assessed how ambitiously councils set their own strategy and targets (*see* chapter 5).

Second, local officers often felt that CPA became an end itself, which resulted in goal displacement and (*see* chapter 2: AC, 1999a), because of a heavy administrative burden for the preparation of self-assessment and submission of data and evidence. Councils must keep a range of evidence for CPA, including 'tiny little things', which demands additional efforts, time and cost. For example, Devon council had to employ somebody and buy database and IT service for keeping this kind of records; and to trace what was going on regarding little and relatively unimportant things. An officer technically responsible for CPA in Devon stated,

there is fairly wide belief that it [CPA] is been a driving force that has produced a lot of change and improvement, but also it is been a fairly heavy burden on local authorities to respond to provide the evidence to show what they are doing (interview with Bowden, K., 20/02/08).

Although it is not a perverse effect, the cost of CPA was indicated by interviewees as being significantly high. They doubted whether cost, time and energy for CPA were actually delivering better outcomes and value. The cost of CPA is principally due to its qualitative PMs and in-depth assessment in CA (*see* Wilson, 2005). As a result, there is a risk that councils spend many resources just to report to the AC, instead of improving the delivery of services to citizens. According to both interviewees in the LGA, this was the strongest complaint against CPA from councils. The risk would be higher in good performing councils than poor ones, because the former's benefit from CPA may be limited to obtaining good reputation rather than finding problems.

In conclusion, it can be said that CPA has functioned positively so that it has helped councils improve performance and enhance their accountability to central government and at least to people indirectly. It has influenced some aspects of local government operation such as its management attention, planning, budgeting, and performance management, but there have been few significant impacts on organisational structure, personnel policy, staff's morale and changing into a learning organisation. It is also found that CPA has created some perverse effects with significantly high cost.

3. Conclusion – a comprehensive evaluation of CPA

The analysis of the formal framework of CPA (chapter 5) and the case studies on CPA (above in chapter 6) can make it possible to evaluate CPA synthetically and comprehensively. Therefore, several questions which arose in relation to the formal framework of CPA can be answered from a comprehensive perspective of its formal and informal aspect. As a conclusion of CPA, it will be evaluated how well CPA is achieving its aims and objectives; how effectively the AC is operating with regard to CPA; and finally how appropriate CPA is to assess councils and improve their performance in the light of validity, legitimacy and functionality.

3.1. Regarding the aims and objectives of CPA

As seen in chapter 5, CPA has been mainly introduced to improve the performance of local government and enhance its accountability (DTLR, 2001; AC, 2002a). First, in terms of performance measurement of their various services and capacity, CPA intends to help councils improve service quality and delivery and thus achieve their organisational aims and objectives. Second, it aims to contribute to the improvement of local government accountability towards people as well as the centre in terms of imposing national standards on councils and revealing their performance scorecard to the public.

According to the case studies above, these two main aims of CPA appear to be achieved. First, councils generally believe that CPA is a helpful management tool for performance improvement, which identifies what they need to improve and provides an external impetus for change. It is clearly stimulating benchmarking between councils in

terms of league tables. It can therefore be concluded that one of its main aims, 'performance improvement' has been successfully achieved. The success of CPA in performance improvement is also seen in the formal CPA results published by the AC (figure 6-1 and 6-2) and some previous studies as seen above.

The reason for this is on the one hand that there are strong demands on good CPA results by the top level management such as cabinet member councillors and senior managers and CPA results are in practice used in councils' internal management process. This is because councillors often use good CPA results in communication with voters for gaining support in the following local election. On the other hand, the success of CPA in performance improvement can be attributed to its balanced approach to the measurement of local government performance. As seen in chapter 5, CPA seeks to assess a range of performance ranging from input to outcomes in a rounded perspective and even measure its efforts for continuous improvement by DOT. As a result, obtaining better CPA results can be strongly connected to performance improvement of local government.

Second, another important aim of CPA, the enhancement of local government accountability has also been successful towards central government and, at least indirectly, towards the public. According to the case studies, central government uses CPA effectively to ensure that councils deliver national priorities and meet targets nationally determined. For example, the SA of children services is closely connected to a central government policy initiative known as 'Every Child Matters'. In addition, since CPA basically uses a uniform set of performance standards, good CPA results mean that they have met those national standards for the provision and delivery of statutory public services. This is specifically effective because of its naming and shaming mechanism by league tables with central government's power to intervene into poor-performing councils. In fact, CPA has been regarded as a central means to deliver central government policy agendas and PSA targets (AC, 2006a: para. 36) and thus CPA is used as a channel for central government to implement their policies and programmes via councils. As a result, CPA functions as a national framework of standards to secure the accountability of local government to the centre.

On the other hand, the contribution of CPA to accountability of local government to the public proves to be inadequate. As shown in the cases studies, people are not interested in CPA and CPA results in general so that they generate little input or feedback into councils, and CPA results hardly influence their choice in local elections,

as seen in some previous studies (James and John, 2007; Boyne, et al., 2007). People's indifference might result from a poor explanation of CPA results, because they may not be interested in politics or local government and so publishing those results might not make an impact on them. Therefore, it might be necessary to deliver a scorecard of government performance directly to the public, for example, through using tax bills. An example of this is found in Ontario in Canada, where via the Internet, newspapers, tax bills and direct mails, municipal authorities have published the result of Municipal Performance Measurement Program by Ontario state government (Wynnycky, 2006).

However, as seen in the case studies, the mechanism of CPA to ensure the accountability of local government to the public is still effective in that councils recognise the possibility of voters' awareness of CPA scores and the proneness of their punishment for poor performance. In addition, as seen above, councillors often use CPA results as a topic to communicate with voters. Therefore, councils deal with CPA results with very high priority (Tilbury, 2006: 56). As a result, maintaining good reputation in CPA functions as a key driver for councils to account for their achievement and improvement to the public.

Last, the subject matter of local government accountability – 'what local government account for' – also very important since it is placed in the middle of political debate and thus surrounded by different stakeholders. CPA can be said to meet their various demands on councils with a wide variety of PMs. As seen in chapter 5 and 6, a range of CPA measures including such qualitative measure as KLOE successfully show different aspects of local government performance ranging from input, process and output to user satisfaction, outcomes and impact (even equity in CA) in the assessment of a range of its services, and capability and capacity.

In conclusion, it can be concluded that the two principal aims of CPA have been successfully achieved in practice. This can be principally attributed to the fact that the CPA framework has a balanced approach enough to assess local government performance and provide its league tables to the public

3.2. Regarding the AC and CPA results

As seen in chapter 5, the political-impartiality and accuracy of CPA results are very important to avoid compromising local autonomy as well as for the validity of CPA. They are closely related to the AC's independence and professional expertise. In an

institutional perspective, chapter 5 shows that it is institutionally professional and politically-neutral to assess councils by CPA. The impartiality of CPA results is unambiguously secured by the AC's independence and the LGA 2003 (chapter 5). The AC's professional expertise to assess local government performance is also shown in its historical experience of audits and inspection and in the fact that it was given a responsibility for improvising the CPA framework.

According to the case studies, CPA results have been politically clean and neutral, and there is no correlation between ruling parties in councils and their CPA rating. In addition, Councils believe that the power or authority of decision-making about something of such central political interest may as well be delegated to independent bodies, for example the AC.

The AC is also identified to have enough capacity and expertise to assess councils in practice, particularly with regard to UOR, although CPA results (particularly about CA) are sometimes contested by them. For the accuracy of CPA results, 'continuity' is very important: certain auditors and inspectors need to be continuously involved with certain councils. This is because they can accumulate the information of a certain council's performance and develop their expertise and skills to find real performance under the understanding of its certain circumstances. Continuity also contributes to the validity of CPA in terms of discouraging councils to manipulate data.

However, the AC needs to develop a mechanism or establish a process to settle conflicts with councils regarding the CPA framework or CPA results. If all conflicts between the AC and councils have to be resolved by the court, the validity of CPA and its authority for audits and inspection would be threatened (chapter 5). In addition, legal challenges about CPA can cost a significant amount of public money that have to be diverted from people and communities.

In conclusion, CPA results are clearly politically-neutral, which is strongly dependent on the AC's independence from central and local government. The AC proves to have sufficient expertise to undertake an assessment of councils by CPA because of its long history and experience of audits and inspection, although CPA has been a new responsibility since 2002. For the accuracy of CPA results, auditors and inspectors need to accumulate their skills and experiences in the continuity of their involvement with certain local authorities.

3.3. Regarding the validity, legitimacy and functionality of CPA

Chapter 3 outlined those criteria against which to assess effective performance measurement systems. There are validity, legitimacy and functionality. We can assess CPA against each of these requirements. As seen in the case studies and literature review (chapter 5 and 6), CPA proves to be valid enough to assess important performance aspects of councils and accords well with their mission, goals, objectives and service standards. Its validity is strongly secured by its balanced approach to assess local government performance and a range of PMs including such qualitative measures as KLOE. First, a range of aspects of local government performance ranging from input to outcomes and impact are assessed over various local services and further capability and capacity. Second, such qualitative measures as KLOE and KLOA are appropriate enough to measure the qualitative aspects of performance with no problem of consistency or objectivity. Self-assessment, which is a basis in CA, DOT and some SAs, is also is thoroughly tested with evidence. In addition, the validity of CPA is also dependent on targets and performance standards which are feasible and controllable by councils and on councils' difficulty of data manipulation due to the AC's expertise.

However, there is room for improvement of the validity of CPA. First, CPA needs to focus closely on local priorities, reflecting councils' different circumstances in order to assess their performance more accurately and comprehensively and so to provide more useful information for performance management. Second, PIs, particularly in such SAs concerning environment, housing, and culture services need to be improved for the assessment of outcomes, since they tend to focus on input and output due to data collection. In addition, some PIs need to be changed or improved in that they are not suitable for some councils' circumstances because they reflect central government's needs. Third, although star rating is accepted by councils as being appropriate, the result of CA and the SA result of culture service are indicated as being over-weighted. The former is particularly related to over-emphasis on capacity rather than service delivery, while the latter is connected to over-emphasis on library services. Fourth, three years time-lag in CA, PIs related to surveys and audit/inspection reports are also problematic in that it is too long to show recent performance. Fifth, it is also problematic that CPA puts all single and upper tier councils into the same category because there is significant environmental difference between urban and rural areas. Finally, CPA proves to have insufficient incentives to stimulate councils and their staff for better and continuous performance.

In conclusion, the CPA framework can be judged to be sufficiently robust and valid to assess the performance of local government, but there is still scope for better assessment.

Since CPA is an external performance measurement system of the locality by the centre, its legitimacy has to be identified in two ways: in intergovernmental relations and within local government. First, councils widely believe that it is legitimate for central government to have a method of managing the performance of local government like CPA. In other words, its power and authority to manage local government performance is clearly accepted as being legally legitimate and fully given consent by councils. However, they believe that CPA should be a minimal framework, because it can be a centralist and over-prescriptive attempt to control local performance.

Although councils are consulted by the AC in the developmental stages of the CPA framework, their opinions are not sufficiently reflected in it. Important things in the CPA framework are often decided irrespective of consultation and councils' opinions have merely resulted in fine-tuning about minor issues rather than radical review. Councils' limited participation leads to the lack of their ownership of CPA so that they regard it just as an external regime by central government, not its own performance management system.

Within local government, CPA is an issue concerning the top management levels, such as councillors in the cabinet, chief executives and senior managers because its results are usually related to their individual appraisal. CPA is thus used as a performance management tool by cabinet member councillors and senior managers. However, frontline staff or lower-level employees feel little responsibility for CPA results. Therefore, it is important to connect frontline staff to CPA or encourage them to participate in its process. Moreover, CPA needs to be much more open to the public because other stakeholders of local government, such as citizens or interest groups hardly participate in the process of developing and conducting CPA.

In conclusion, the power of central government to manage the performance of local government has been legitimately accepted by local government in both a legal aspect and its recognition. However, this does not mean that CPA is legitimate as a performance measurement tool as Bouckaert (1993) indicates. Without strong participation of local government and other stakeholders such as users and citizens, the validity and functionality of CPA might be also vulnerable. Therefore, CPA needs to allow their participation and reflect their views in the framework and process of CPA.

As seen above in the fact that CPA has achieved its two main aims, it is functionally effective and has influenced councils in many aspects. First, although there has been little input or feedback directly related to CPA from citizens and local press, councils and councillors use good or improved CPA results in public relations in terms of re-publishing or advertising those to residents. Second, CPA has re-distributed the managerial attention of the top management level to middle level managers and frontline officers on areas with low CPA scores. Better CPA results have been strongly demanded and poor CPA results sometimes lead to a thorough scrutiny by committees. In this sense, CPA is helpful to ensure internal accountability or management in councils. Third, CPA has influenced planning and budgeting in councils for better CPA results. Most of all, additional resources have been allocated to service areas graded with low CPA scores (e.g., to library services). Fourth, CPA is helpful for councils to develop and operate their own performance management tools.

However, CPA has hardly changed organisational structure and personnel policy in councils. This is on the one hand because CPA does not include important local priorities and some PIs hardly reflect reality. On the other hand, this is because it is difficult to isolate one person or group as being responsible for CPA scores. In addition, CPA has not significantly influenced work procedure and process. Local officers' morale boosted by good CPA results rarely contributes to organisational productivity. Learning is not automatically repeated in councils according to CPA results. However, 'performance measurement and management' is becoming embedded in their organisational culture in practice.

It is found that CPA results in some perverse consequences such as threshold effect and provision distortion. The provision distortion may be regarded by councils as a restriction on autonomy, because a CPA figure in a certain service would be regarded as a guideline or constraint for councils' decision-making. In addition, CPA often becomes an end itself (goal displacement), because of a heavy administrative burden on councils for the preparation of self-assessment, and data and evidence. As a result, there is a risk that councils spend many resources just preparing or responding to CPA. The cost of CPA is also an important negative issue in that it is too high as seen in chapter 5, and councils have a doubt about the cost-effectiveness of CPA.

CPA can be considered to have functioned positively in councils for the improvement of performance and accountability. It has influenced some organisational elements in councils, such as its managerial attention, planning, budgeting, and

managing performance, but had few significant impacts on other elements such as structure and personnel. Some perverse effects and high cost cause strong concern to councils.

3.4. Conclusion

From chapter 5 and 6, it can be concluded that CPA is a relatively successful measurement system covering local government performance. This is attributable to the fact that CPA has a balanced approach as is similar to the most sophisticated general models for performance measurement such as BSC and EFQM. Therefore, it can show a range of different aspects of local government performance to different stakeholders. Qualitative PMs as well as quantitative PIs are effective to assess both the qualitative and quantitative aspects of performance. Councils consequently believe that CPA is helpful to improve their performance and enhance their accountability. However, it is necessary to encourage councils and people to participate in CPA to develop its validity and functionality (e.g. adopting local priorities, preventing perverse effects and reducing cost).

This is clearly shown in the location of CPA at Bouckaert's cube (1993: 40; *see* chapter 3). Case studies regarding how valid, legitimate and functional CPA has been in practice lead to a conclusion that it is likely to be placed somewhere in the 6th type of performance measurement systems, 'technical and pragmatic' in Bouckaert's classification (chapter 3). This means that the CPA framework is relatively weak in legitimacy, but relatively strong in validity and functionality. As a result, CPA needs to be strongly supplemented with legitimacy in the relationship between central and local government on the hand, and in the relations between local government and its environment and within its internal organisation on the other.

The next chapter will turn attention to JPA in Korea. Similarly to the analysis of the formal CPA framework in chapter 5, it will examine why and how JPA was introduced; who is responsible for JPA; and what the characteristics or methodology of JPA are as a performance measurement system.

Chapter 7. The Joint Performance Assessment in Korea

As all of the formal aspects of CPA were examined in chapter 5, this chapter investigates those of JPA. It firstly investigates why and how JPA has been introduced between central and local government in Korea and thus environmental situation or elements related to this is broadly examined. The chapter also investigates the assessor of JPA - MOPAS and other participants in light of particularly their independence and expertise. The methodology of JPA is finally analysed regarding all details of its PMs, process, ratings and rewards.

1. Introduction and development

Following a pilot assessment in 1999, the Joint Performance Assessment (JPA) for local government in Korea was officially introduced in 2000 to improve the achievement of national priorities over the country and to increase the accountability of local authorities. A range of previous individual evaluations of local authorities were incorporated into the JPA framework and so policies and programmes initiated by government departments (ten ministries with 50 policies or programmes) were for the first time measured in one assessment tool. For the provision of more rounded information of local government performance, the first version of the JPA framework consisted of two assessment sections of 'capacity' (ASC) and 'activities and achievement' (AA). AC focused on how well local authorities were developing their capacity (e.g., the management of structure, personnel, finance and information) in order to deliver public services to residents or implement central government policies and programmes. On the other hand, AA assessed how efficiently they were implementing policies and programmes delegated or funded by central government, and how well they were providing services. ASC consisted of three assessments while AA comprised five assessments covering different services such as local economy, culture and regional development. In addition, JPA contained user satisfaction surveys to measure how much people were satisfied with local public services or indirectly what outcomes or impacts public services brought. Therefore, it has been regarded as 'a more comprehensive measurement tool' to show a rounded picture of local government performance (Kim and Park, 2003: 128). JPA was undertaken as an on-site assessment and excellently performing local authorities were given extra funding. JPA also brought

the possibility of ‘naming and shaming’ so that a local community may have blamed their local authority about poor performance or praised it for good performance.

Before the introduction of JPA, there were a variety of individual evaluations or monitoring of local government performance by many central government departments. For example, there were 96 individual evaluations of local government by 16 central government departments and administration agencies in 2000 (Choi, 2003). They were since 1970s increasingly introduced as a process of policy evaluation – policy monitoring or implementation monitoring, and since 1990s this tendency has been reinforced by the impact of NPM as a management technique. However, they usually focused merely on monitoring how well local authorities were implementing policies and programmes made by central government or were complying with laws or policy-guidelines. The main interest of this kind of evaluations was to ensure that policies, programmes or laws were well implemented or executed (Cha, 1999). In other words, local authorities were evaluated at the point of input and process rather than output or further outcomes and impacts of their services. As a result, these individual evaluations failed to show a variety of local government performance sufficiently well or comprehensively. Local authorities also regarded them as a heavy administrative burden that demanded excessive time and money. In addition, these evaluations were regarded as work only for government and thus other stakeholders were not considered in the processes of evaluations. Few measurement experts consequently participated in them and appropriate PMs were not developed except those for just monitoring (Cha, 1999; Kim, 2000; Choi, 2001).

Similarly, within central government departments, there were many types of policy evaluations²⁰² concerning whether their policies and programmes were successful enough to solve social problems. However, they also confronted the same critique as those evaluations of local government as above. In short, whether evaluations concerned central or local government, they were all criticised in that they hardly assessed the performance of government precisely and comprehensively, but just monitored the implementation of certain policies and programmes (Cha, 1999). In this sense, it was strongly felt necessary to introduce a more comprehensive and appropriate method to

²⁰² The evaluation of central government departments was generally undertaken by the Office of the Prime Minister (OPM) or the Ministry of Economic Planning and Budgeting. For example, ‘Examination and Analysis of Government Policies’ was first introduced in 1961 influenced by the contemporary policy science or policy evaluation. So as to evaluate each central department’s main or important policies and programmes, ‘Examination and Evaluation of Government Policies’ was launched by the OPM in 1994. It was used to evaluate or monitor several main policies and programmes in each central government department.

assess the performance of government in Korea. In fact, the Committee for Globalisation²⁰³ (1998) suggested an agenda of ‘strengthening evaluation and assessment function’ in government in 1997.

This demand for a more comprehensive assessment of government performance was rapidly accelerated by the contexts of the Korean society and political situations at the end of the 20th century. Reform in the Korean government has been continuously needed to improve its performance in response to the change of the Korean socio-economic environment as in other countries such as the UK. In this context, many committees for the reform of government have been established under the president or prime minister since the 1970s and further there have since the 1990s been strong efforts to introduce NPM-type reformative methods in the Korean public sector in order to improve performance as Lee (2002b; 28) points out. In particular, there happened an external catalyst in 1997 for the Korean government to accept the idea of NPM more positively in that it confronted an ‘exchange crisis’ that needed the IMF’s monetary help. According to the IMF’s advice or guidelines which were based on the methods of New Right or NPM such initiatives as administrative reform, privatisation, and the promotion of competition in market, the Korean government was thus strongly recommended to introduce reforms over the whole country²⁰⁴. Since the IMF’s loan was conditional on the introduction of such structural adjustment programmes, it is regarded that there was a policy transfer – exactly, ‘negotiated transfer’ as Evans (2004: 11) indicates.

Since the launch of the new presidential government in February 1998, NPM-type reform has consequently been deeply adopted in the public sector along with a volume of economic reform. A series of NPM-style initiatives aiming at increasing the economy, efficiency and effectiveness of government was constantly applied. For example, Management by Objectives (MBO), Performance-Based Budgeting, Charter Mark, Downsizing and the Executive Agency approach have been successively adopted in the Korean government (Park and Jo, 2005). These endeavours also sought to

²⁰³ It was in 1995 established to deal with or even promote globalisation in Korea and was co-chaired by the prime minister and another non-governmental chief commissioner. For two years, it provided a range of agendas on all parts of the Korean government and society to introduce global standards. These agendas were enforced for government to carry out and so 72 acts, 47decrees, and 50ornaments were legislated or amended.

²⁰⁴ Many companies, including *chaebol* collapsed and unemployment dramatically increased. Following the agreement on \$58bn bail-out in December 1997, the focus of reform, which was negotiated between Korea and the IMF, was placed on improving the autonomy, efficiency and transparency of financial market based on the ideas of neo-liberalism. In addition, most companies had to minimise debts and enhance profitability (Ha, 2001).

introduce new sophisticated assessment tools of government performance instead of existing individual evaluation tools.

In this context, 'Government Performance Evaluation (GPE)' was introduced in central government in 1998 as a more comprehensive assessment tool (Cha, 1999). It has tried to assess central government departments and administration agencies systematically rather than simply monitor them. For the first time, their performance has been assessed in terms of two dimensions: capacity, and policies and programmes. GPE has also contained systematic user satisfaction surveys regarding their outcomes or service delivery. In addition, central government departments for the first time had to compete with each other in the new scheme, because the results of GPE have been published to the public by the office of the prime minister in the form of league tables. . Further civil servants were rewarded or sanctioned by assessment results. GPE principally aimed to enhance the three Es of central government and finally improve the quality of its public services. It was also expected to contribute to ensuring its accountability regarding policy making and implementation. GPE²⁰⁵ was more a comprehensive measurement tool than previous evaluation tools, because it assessed different aspects of government performance in a balanced perspective. In addition, it has provided performance information in line with the cycle of government policy or budgeting for a more systematic use.

In accordance with the introduction of GPE, JPA for local government was devised as a pilot assessment in 1999 in order to assess the performance of local government comprehensively instead of a variety of individual evaluations by central government. Similarly to GPE, JPA began to assess a range of local government performance in a rounded picture in order to improve the achievement of national priorities over the country and to increase its accountability. In a technical perspective, the introduction of JPA means the development of performance measurement systems in Korea. There were merely evaluations to monitor policy implementation of local government, prior to the introduction of JPA. In addition, such simple monitoring tools did not need much professional expertise of performance measurement. Therefore, the introduction of JPA has stimulated the necessity of measurement experts' participation in the process of government performance assessment and the development of more sophisticated PMs and measurement systems in the public sector.

²⁰⁵ GPE has been widely used in the Korean central government since its introduction, and its framework has also been continuously developed. For example, it was revised in 2006 to employ self-assessment by each department or administration agency.

The other factor that resulted in the introduction of JPA can be seen in the change of the relationship between central and local government (*see* chapter 3), which resulted from the local elections in the 1990s. Since then, the politico-administrative environment around them has deeply changed and their relationship has been rapidly altered. Because local authorities were no longer the executive branches of central government, but autonomous political bodies, the control or supervision systems of localities by the centre had to be changed. In addition, the tendency of local government to place more emphasis on local priorities which are determined through poll-campaigns would have resulted in a need for central government to introduce a new mechanism to ensure the achievement of national priorities.

In this context, it was clear that central government, particularly MOGAHA who was responsible for local government needed a more effective tool to ensure the achievement of national priorities without any illegal or excessive intervention in local authorities. As a result, JPA was introduced as a new mechanism to ensure the accountability of local government that should well accord with the changed relationship between central and local government. This was because performance measurement as JPA could be regarded as a means to control local government less or more indirectly by central government and thus to be relatively immune from direct intervention in local autonomy. In other words, JPA has become a useful mechanism for MOGAHA to direct local authorities in the era of local autonomy. Although it cannot appoint mayors and governors any more, it might affect their activities or decision making in terms of reporting their scorecards to local voters and tax-payers.

During the introduction of JPA, there was conflict between ministries regarding who would have responsibility for it. First, the office of the prime minister wanted to retain the power to conduct JPA in the name of incorporating GPE and JPA, while MOGAHA attempted not to lose its power to regulate local authorities. Second, other central government departments also hesitated to join the JPA framework because their individual assessments of local authorities were related to their power to control them. Third, there was also a concern among local authorities that JPA might have interfered in local autonomy. In short, the introduction of JPA meant breaking the previous balance between ministries and between the centre and locality.

As a result, a compromise agreed by them led to a complex set of assessors and a 'joint' assessment of previously-existed individual evaluations rather than a new comprehensive assessment. MOGAHA was endowed with the power to develop and

conduct JPA, but had to cooperate with the office of the prime minister in order to encourage other ministries to join the JPA framework instead of their own evaluations. JPA was established as part of grand performance management which covered the whole public sector and thus MOGAHA had to report the basic plan of JPA and assessment results to the prime minister. In order to soothe local authorities and to support JPA legally, the Basic Act for Evaluation of Government Activities (Evaluation Act) was legislated in 2001. Since the Evaluation Act stipulated JPA for local government as well as GPE for central government, MOGAHA was legally allowed to carry out JPA in consultation with other ministries. Based on legal legitimacy, the 2001 JPA expanded participants to 12 ministries and their 60 policies and programmes.

The framework of JPA was significantly changed in 2003. The assessment section of capacity (ASC) was incorporated into the assessment section of activities and achievement (AA) because it was hardly distinctive in assessment methodology from AA and not clearly stipulated by the Evaluation Act. Therefore, JPA consisted of one assessment section with nine assessments. However, a significant momentum of change in the JPA framework came from local government. A strong opposition against JPA was issued in 2003 by the Council of Metropolitan and Provincial Associations of Local Officers (COMPALO)²⁰⁶ (Kim and Park, 2003: 126). They challenged the validity of the JPA framework, because its PIs tended to focus on input and process rather than output or outcomes. They also argued that it resulted in a heavy administrative burden to prepare reports and evidence and the on-site assessment of JPA was particularly indicated as the main problem for local authorities to be assessed. They consequently concluded that it operated as another control system of local government, which interfered in local autonomy rather than as a tool to help its achievement.

In this context, MOGAHA broadly screened the JPA framework including assessment themes and PIs for the assurance of validity and reduction of local authorities' administrative burden (Park and Lee, 2007: 225). Local authorities were widely consulted and encouraged to participate in the revision of the JPA framework. As a result, the 2004 JPA framework that was carried out in 2005 was significantly revised. First, in order to reduce their administrative burden, many individual evaluations of local authorities by central government departments disappeared or were

²⁰⁶ Although workers in the government area have been able to make labour unions in Korea long time before, government officials were not permitted to make or join them until 2007. Instead of those, Officials Associations were allowed to represent them. The Council of Metropolitan and Provincial Associations of Local Officials was the coalition of each association of local officers in upper local authorities.

merged into the JPA framework which consisted of two assessment sections with nine assessments²⁰⁷. The assessment section of local government activities and achievement (AA) assessed a range of service delivery and the implementation of policies and programmes in eight assessments including the assessment of the capacity of local government. The assessment section of national-priority control targets (ANT) measured how well local authorities were delivering two nationally-prioritised services that created social attention in the year or closely concerned people's ordinary lives. Second, the results of some individual evaluations²⁰⁸ of local authorities that were separately undertaken by central government departments were informed to and integrated into JPA result in order to show their performance more comprehensively. Third, the broad on-site assessment in JPA was abolished and thus it was undertaken as an on-desk assessment with a short visit just to check data and evidence in order to reduce burden on local authorities. According to a study on JPA by Kim and Park (2003) and a study by BAI (2006)²⁰⁹, it can be concluded that JPA has been regarded as being more useful by local authorities since the introduction of the new framework in 2004.

The legal basis of JPA was strengthened by the introduction of the Basic Act for Government Activity Assessment (the Assessment Act) in 2006 which replaced the Evaluation Act. The Assessment Act was the output of the Korean government's efforts to develop more sophisticated performance management systems than partial evaluations which were individually undertaken as policy evaluation (BAI, 2006). According to the Assessment Act, a variety of individual evaluations of public organisations by different individual acts were merged in each other or abolished and then self-assessment has been placed in the core of government activity assessment (CGA and OPC, 2006). It also stipulates JPA as a fundamental assessment of local authorities by central government²¹⁰ in that any central government department that

²⁰⁷ The sub assessments were: local administration reform; local services reform; health and social welfare; women; environment management; local economy; regional development; culture and tourism; and security for life and property.

²⁰⁸ In 2004 JPA, they were evaluations of local finance; national property management; e-government; disclosure of information; energy saving programmes; a price policy; evaluation of a local agriculture policy; regional road construction; management of web-sites for tourism; and precautionary programmes for disaster.

²⁰⁹ They were undertaken with a similar methodology. according to the former, JPA did not strongly contribute to the performance improvement of local government (2.3 point in a 5 point scale), but the latter showed that it became a more helpful tool for improvement (3.2 point in a 5 point scale).

²¹⁰ The Committee for Government Activity Assessment (CGA) was set up under the prime minister, instead of the previous Committee for Policy Evaluation (CPE), to deal with functions and tasks related to the assessment of government activities. It has generally controlled the whole frameworks of government

intends to evaluate local government performance principally has to join the JPA framework as a part. Individual assessments of local authorities are extraordinarily permitted according to this act.

Since the change in 2005, there have been no significant changes or moderation in the framework of JPA. The 2006 JPA conducted in 2007 with two assessment sections (AA and ANT) and nine assessments (8 in AA and 1 in ANT) measured the performance of local government with 46 policies and programmes of 14 participating ministries and administration agencies.

In conclusion, JPA was introduced as a new mechanism for the improvement of local government performance and accountability under the impact of NPM and tradition of centralism in the Korean government. The reason for its introduction can be attributed to four principal elements in detail.

First, there have been continuous efforts to improve the performance of public sector organisations in Korea. As seen in chapter 2, the Korean government has had to respond to changes in its political, economic and social environment, which have happened more rapidly in the wave of globalisation. In particular, those efforts were strongly accelerated when an economic crisis occurred in 1997. As a result, the performance of the public sector became a main concern in the Korean society at that time and so the Korean government has had to spend public money more efficiently and perform more accountably. In addition, according to the IMF's advice, it had to adopt a range of NPM-type reformative methods over all the public sector (so-called 'negotiated policy transfer': *see* Evans, 2004). In this sense, JPA was introduced to improve the performance and accountability of local government in accordance with GPE for central government. Since then, performance measurement has been continuously emphasised and developed in the Korean public sector as seen in two successive acts: the Evaluation Act in 2001 and the Assessment Act in 2006 (Lee and Kim, 2004). In practice, a range of measurement, monitoring and evaluation has been used to improve performance public sector organisations. For example, 29 central government departments and agencies were, out of the JPA framework, conducting up to 108 evaluations or monitoring of local government in their policy areas in 2006 (MOGAHA, 2006c).

Second, JPA like CPA in England is a very peculiar performance measurement tool, because central government directly assesses the performance of local government.

activity assessment regarding central government, local government, and public agencies and institutions. Therefore, JPA has also been conducted under the guideline of the CGA since 2006.

Therefore, JPA may conflict with local autonomy which is based on democratic legitimacy through local elections. As a result, one of the reasons for the introduction of JPA can be found in the traditional relationship of strong ‘centralism’ between the Korean central and local government. However, as seen in chapter 4, JPA can contribute to the reduction of this centralism because it regulates local authorities indirectly rather than with prior permission or approval in advance by the centre. When the Korean tradition of strong centralism in inter-governmental relationship faced politically-autonomous local authorities after the 1990s, central government needed a new mechanism to ensure the accountability of local authorities as well as avoid the direct control of them. JPA has been a new mechanism of ensuring the accountability of local government and at the same time, of reflecting the changes of relationship between local and central government.

Third, JPA was an advanced measurement tool to integrate previous individual evaluations or monitoring tools of local government activities. There was a necessity for more sophisticated performance measurement tools to assess the performance of local government comprehensively. Therefore, more efforts began to be made to develop sophisticated measures in terms of experts’ participation. The integration of individual assessments also meant the decrease of administrative burden on local government.

In sum, JPA was introduced as a NPM-type reform tool in Korea. The traditional strong centralism in inter-governmental relationship also emerged as an element to contribute to the introduction of JPA. There were also more specific conditions to introduce JPA, such as a need of a new mechanism to ensure its accountability according to local elections or the need to develop more sophisticated measures.

2. Aims and objectives

Since JPA was launched in accordance with the introduction of GPE for central government departments, its aims were consequently very similar to (or even the same as) those of GPE. GPE aims to bring a ‘well-performing government’ through enhancing the efficiency, effectiveness of central government and responsibility of its policy making and implementation (Cha, 1999). Similarly, JPA was introduced to improve the achievement or performance of local government and increase its efficiency and effectiveness. According to MOGAHA (1999), JPA was introduced to achieve four principle aims: supporting local government’s policy-making process;

improving the quality of local services; raising the capacity of local government; and finally ensuring its accountability. According to the Evaluation Act in 2001 which stipulated JPA for the first time, JPA aimed to enhance the efficiency of government policy process and administration and to ensure the accountability and credibility of government.

In addition, JPA intended to reduce administrative burden on local government caused by a range of individual evaluations from central government. It also intended to decrease a variety of evaluations of local authorities by many private organisations, such as newspaper companies, and politics or public administration research institutes (MOGAHA, 1999). This was because those private institutions have frequently evaluated local authorities and offered their own awards: e.g. 71 evaluations were undertaken in 2006 by private organisations, such as newspaper companies or research institutions (BAI, 2006). JPA was thus expected to not only bring many individual evaluations of central government together into one umbrella but also prevent local government from excessively joining such commercial schemes.

The Assessment Act which replaced the Evaluation Act in 2006 presents some aims of JPA, such as raising the efficiency of local government, improving the effectiveness of government policies/programmes and ensuring its accountability. Most of all, it (s. 21) puts strong emphasis on how efficiently local authorities are implementing policies and programmes made by central government and how effectively they are delivering the targets of those to local people and community. JPA also aims to help local authorities deliver better services to local communities through the identification of the actions they need to take for improvement. In addition, it intends to reduce the administrative burdens of local government in terms of the reduction of a variety of individual assessments by central government (Assessment Act, s. 21).

In sum, the aims and objectives of JPA can be summarised as MOGAHA (2006c) indicates. First, JPA aims to improve the performance of local government in terms of helping local authorities check and correct problems and obstacles, which may happen during the implementation of policies and programmes and delivery of services. Since JPA usually concerns important services that local authorities produce and deliver, people can be served with improved qualities of those services. In addition, JPA helps local authorities develop their capability and capacity which contribute to the delivery of better quality services. As a result, JPA helps local authorities implement policies and

programmes more efficiently and improve the delivery of quality services more effectively to local people and communities. In this sense, national priorities can be easily achieved over the country and thus all people who live wherever can enjoy the same services with quality.

Second, JPA can help in improving policy process and allocating resources more efficiently. Since JPA gives feedback or performance information to the policy process of central and local government, their policy/decision-making can be more suitable to practical situations and thus their resources can be used more efficiently. Competition between local authorities for high ranking in JPA can also facilitate more efficient implementation of government policies and programmes. Therefore, central government can use the JPA framework to achieve national targets and initiatives.

Third, JPA can play a role as a performance management tool within local authorities. Since JPA can reveal a local authority's strength and weakness and deliver information about the best examples, it can use the process and result of JPA as its own performance management system. In other words, JPA functions as a 'diagnostic tool' for identifying what local authorities need for performance improvement. Feedback by JPA helps them make and implement policies and programmes and further decide to reform themselves for improvement. Therefore, as a momentum for change, JPA can be a motive for local authorities to continue improving their service delivery and policy implementation. Since JPA covers various aspects of their performance, local authorities are likely to accept JPA results as their scorecards.

Fourth, since the ultimate responsibility for functions, powers and money delegated or funded to local government by central government lies with central government, local government needs to account for them sufficiently to central government. JPA can be a strong mechanism to ensure the accountability of local authorities to the centre because it shows what they are achieving as regards government policies and programmes and how efficiently they are spending government grants.

In addition, JPA can help local constituents to understand how well their local authority is working. One of the key objectives of JPA is in fact to provide them with 'a report card' of how their local authority is performing overall compared to others. Since JPA results and league tables of those are publicly announced, local people and communities can more easily recognise their local authority's performance. This possibility of 'public awareness-increasing' might enforce local government to focus more on efficiency, effectiveness and user satisfaction in its policy process or service

delivery (Tilbury, 2006: 56). As James and John (2007: 569) indicate, local people can use JPA results to put pressure on their local government and further to vote for incumbents or competitors in local elections. In this sense, JPA has an important role to ensure the accountability of local government not only to central government but also to local people and communities.

Finally, in terms of JPA, central government departments can more efficiently conduct their various evaluations of local government with a significant decrease of its administrative burden. In particular, they are likely to obtain some methodological advantages within the JPA framework, such as in developing PMs and using assessment know-how. In addition, through merging a variety of individual assessments into an umbrella, the reduction of the administrative burden on local government might also reduce its emotional rejection to the central assessment of local performance. Therefore, JPA can improve the economy, efficiency, effectiveness of central government's evaluation tasks of local government.

In short, the five aims of JPA mentioned above can be summarised in two principal aims as those of performance measurement in the public sector: the improvement of local government performance and the enhancement of its accountability. However, it is necessary to investigate whether JPA has in practice achieved its aims. This is because as seen in chapter 2, performance measurement may result in some perverse effects as well as involving considerable investment that demand central and local government's money, time and efforts. JPA may also be just a new control mechanism of local government rather than a tool for improvement. The investigation will be followed in the next chapter.

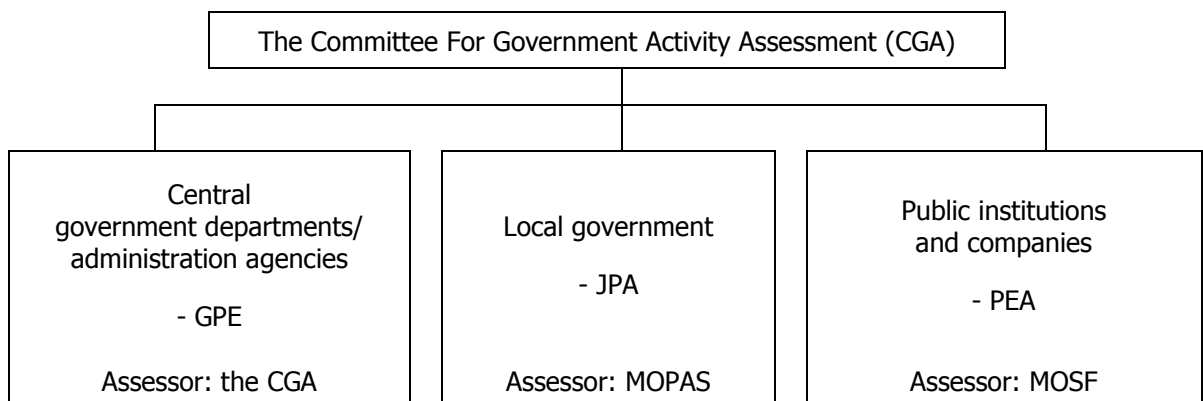
3. Assessment of local government by JPA

According to the Assessment Act, JPA is officially carried out by the Ministry of Public Administration and Security (MOPAS)²¹¹, but there are other actors related to it in reality. This is because JPA was introduced in terms of a compromise between ministries on the one hand, and MOPAS has needed a certain number of skills and knowledge to implement JPA on the other. First, the JPA framework and its final result

²¹¹ It is, as seen in chapter 3, mainly responsible for local government. The full responsibility for JPA is allocated to the department of Local Government Performance Management which takes charge of facilitating performance management in local government. At the present of January of 2008, this department had 15 staff-members, but only 5 of them were directly dealing with JPA.

have to be reported to Committee for Government Activity Assessment (CGA)²¹² which is responsible for performance management over the whole public sector, such as central and local government, and other public institutions and organisations. In terms of making the Basic Plan for Government Activity Assessment (BPGA), the CGA involves GPE for central government; JPA for local government by MOPAS; and Performance Evaluations and Analysis (PEA) for public institutions and companies by the MOSF²¹³ (figure 7-1) (CGA and OPC, 2006).

Figure 7-1. The system of government activity assessment



Source: CGA (2006)

The CGA broadly and directly concerns the whole process and judgement of GPE. It publishes assessment results, gives incentives, and even decides re-assessment in relation to GPE. In terms of BPGA, the CGA also broadly guides JPA as PEA, but involves JPA less than GPE. It limitedly involves the first and last step of JPA. In order to join in JPA, other ministries submit the list of their policies and programmes to the CGA (and the prime minister) rather than directly to MOPAS which is also a ministry. The CGA is then reported on the annual primal plan of JPA and JPA results JPA by MOPAS. This is because the CGA admits the expertise of MOPAS and the speciality of local administration and JPA on the one hand, and it has little capacity enough to cover or carry out JPA for local government on the other (CGA and OPC, 2006).

In order to ensure expertise and objectivity regarding JPA, MOPAS organises the Committee for the Joint Performance Assessment (the Committee for JPA), because it

²¹² It was in 2006 established by the Assessment Act to ensure the expertise and objectivity of the performance management in the public sector and thus its members range from ministers to experts in performance assessment with two heads: one is the prime minister and the other is a non-governmental person, who is appointed by the president.

²¹³ MOSF annually carries out and publicise the performance evaluation and analysis of public institutions and companies. However, this is limited to collect the information that each public institution or company is producing under laws, such as Framework Act on the Management of Government-Invested Institutions or Act on the Establishment, Operation and Fosterage of Government-Invested Research Institutions, because they are different from aims to types.

has some limitation of capacity to carry out JPA directly. The Committee for JPA makes a decision on all the matters of the JPA framework (Assessment Act, s. 21) and MOPAS usually follows its decision. The Committee for JPA plays a significant role in undertaking JPA in that it can annually decide the 'primal plan of JPA' which comprises the aim, range, period and methods of JPA; policies and programmes to be assessed; the usage of the result; and other central government departments to participate in JPA . It also includes how to organise and control the JPA team which assess local authorities in practice. In addition, the Committee for JPA makes an annual JPA execution plan which contains PIs, targets and standards, and a JPA manual for the JPA team and local authorities. It also plays a role of guaranteeing the quality of JPA results in terms of the review of what the JPA team does (so-called, quality assurance). In addition, JPA results are finally determined by the Committee for JPA.

The reason for the establishment of the Committee for JPA is principally to ensure the fairness, impartiality, objectivity and transparency of JPA as well as to improve its validity or aptitude as a performance measurement tool of local authorities (Enforcement Decree of the Assessment Act, s17). This is very important because JPA evaluates local authorities that depend on different degrees of political support and are administered by different parties from central government. If JPA fails to deal with the performance of local government impartially or accurately, this may result in massive political censure from not only local authorities but also central and local politicians, and even the public. Therefore, over two-thirds of the members of the Committee for JPA including the chairperson have to be appointed as non-governmental experts in performance measurement or the areas of policies/programmes to be assessed in JPA²¹⁴. They are appointed by the minister of MOPAS in recommendation of other participated ministers and given a two-year term, which may be extended for the same period.

The actual assessment of local government performance within the JPA framework is undertaken not by MOPAS's inspectors or civil servants but by the JPA team that is a task-force team organised under the Committee for JPA (the Enforcement Decree of the Assessment Act, s. 17). It consists of a majority of non-governmental experts in performance measurement or specialists in policies and programmes to be evaluated and a minority of government civil servants for supporting them. The members of the Committee for JPA also participate in the JPA team: in fact, the chairman of the former

²¹⁴ In 2007, the Committee for JPA consisted of 19 members and all of them were non-governmental experts except one member who was the head of the Headquarters of Local Administration in MOPAS. They were all from universities and research institutes.

takes the head of the latter (MOGAHA, 2006b). The civil servants are hardly allowed to participate in the actual assessment process, but expected to administer the process of JPA and provide advice regarding policies/programmes to be assessed²¹⁵. This is because MOPAS needs to ensure the fairness and impartiality of JPA results but use professional knowledge and skills during the assessment process of JPA.

In order to organise the JPA team, MOPAS co-works closely with the Korea Research Institute for Local Administration (Krila)²¹⁶ which is a research institute for local government. In the 2006 JPA, over 60% of the JPA team consisted of the researchers of Krila. Not only do many research members of Krila participate in the JPA team, but it is also often commissioned to develop PIs and assessment manuals²¹⁷. It is also entrusted to manage computer systems for JPA data collection which is known as VPS (*see below*).

In conclusion, although MOPAS has formal responsibility for the assessment of local government performance within the JPA framework in cooperation with the CGA, it looks like a manager who manages or administers the process of JPA rather than a decision maker or practical assessor. In order to ensure the fairness and impartiality of JPA results and the validity of the JPA framework, the Committee for JPA decides all important matters and the JPA team assesses local authorities in practice. As a result, there are many actors within the JPA framework and MOPAS seems just to manage the process of JPA including publishing JPA results. This is summarised in table 7-1 below.

Table 7-1. The assessors of JPA in its process

<p>CGA (co-chaired by a non-governmental person and the prime minister)</p>	<ul style="list-style-type: none"> • Making the Basic Plan for Government Activity Assessment. • Collecting and deciding policies and programmes to be assessed in JPA from central government departments. • The primal plan of JPA is annually reported to the Committee and confirmed or authorised by the Committee.
<p>The Committee for JPA</p>	<ul style="list-style-type: none"> • Making the annual primal plan of JPA which contains details

²¹⁵ In the 2006 JPA, it was structured with five assessment teams, one process management team and one support group for assistance to them. the five teams were the assessment team of administration and culture; welfare and gender equity; environment and security; economy and development; and national-priority control targets) were respectively responsible for each assessment of nine sub assessments of JPA (MOGAHA, 2006b).

²¹⁶ Krila was established by MOGAHA in cooperation with all upper local authorities in 1984 and has been supported by the Support Act for Krila legislated in 1986.

²¹⁷ In fact, the computer system for the collection and analysis of data from local government, which is known as the Virtual Policy Studio (VPS), is established and managed in Krila.

chaired by a non-governmental person)	<p>regarding it, such as aim, range, period and method.</p> <ul style="list-style-type: none"> • Deciding the PIs of JPA • Making the JPA execution plan and JPA manuals • Reviewing and examining JPA results that the JPA team produces. • Determining the JPA result
<p>The JPA Team (consists of non-governmental experts from the Committee for JPA, Krila and other institution)</p>	<ul style="list-style-type: none"> • Developing PIs and standards • Assessing the performance of local government and producing the assessment report in practice
<p>MOPAS</p>	<ul style="list-style-type: none"> • Managing the whole process of JPA • Reporting the JPA results to the CGA and the prime minister. • Publishing the JPA results.

Source: adapted from MOGAHA (2006a and b)

Since there are many participants in the process of JPA, their roles seem complex, redundant or even obscure. For example, the roles of the CGI and the Committee for JPA may be in conflict or overlapping. Since some members of the Committee for JPA join the JPA team, the roles between them also look ambiguous. The role of MOPAS is also not clear, because all important decisions are made by the Committee and actual assessment is undertaken by the JPA team. The involvement of many participants therefore looks messy and it is not clear how they are coordinating and who is politically responsible for JPA results. For example, if there are errors in the framework, process or results of JPA, it is not easy to find who is responsible for them between MOPAS, the CGA, the Committee for JPA and the JPA team. Therefore, the functions or responsibility for JPA need to be more clearly established or simplified between those different actors.

On the other hand, it is in practice necessary to examine the capacity and responsibility of the JPA assessors in two perspectives as is the same as CPA: political impartiality and expertise. First, the political impartiality of JPA is very important because it can reward or punish local authorities, which are democratic bodies elected by local constituents, by ‘naming and shaming’ or by giving some incentives, such as extra funding. In addition, its results may influence voters’ choice in local elections. Therefore, any political interest must not be biased in the determination of JPA results and local government governed by different parties from central government must not be treated unfairly and unjustly in JPA. If so, JPA is not a performance measurement system for the improvement of local government performance, but an inappropriate control mechanism that is arbitrarily manipulated by central government.

Second, it is also important to investigate whether MOPAS has enough professional capacity or expertise to distinguish between poor and good performing authorities. This is because performance is more difficult to measure in the public sector and JPA further tries to assess a wide range of local government performance comprehensively. If local authorities are not distinguished accurately in the JPA framework according to their real performance, they may well be suspicious of its validity.

Since MOPAS is a ministry of central government, it could be difficult to say that it is politically independent from the governing party to which the president belongs, and that it has enough professional expertise in performance measurement. In this sense, MOPAS organises the Committee for JPA and the JPA team, most members of which are ‘non-governmental experts’ in performance measurement and public policies and programmes, in order to ensure the impartiality and expertise of JPA. However, there may still be some questions about the impartiality and expertise of JPA. First, the Committee for JPA and JPA team are both not independent organisations from central government, particularly from MOPAS in that they are both established in MOPAS and their members are appointed by its minister. In addition, JPA results are officially reported and published by MOPAS.

Second, for the accurate assessment of local government performance and the development of JPA, it might be necessary to accumulate professional knowledge and skills about JPA. Although the Committee for JPA consists of experts in performance measurement or public policy, their term of only two years (and at best four years) might hinder the accumulation of expertise about JPA. In addition, the fact that the members of the JPA team have no certain term of office and are often newly appointed each year may also be vulnerable to the validity of JPA.

In sum, there are efforts to ensure political neutrality and expertise in the JPA framework. However, it needs to be investigated whether the impartiality of JPA results is in practice secured and whether the performance of local government is accurately assessed in the JPA framework. This is because its impartiality is decisively related to the legitimacy of the JPA framework and its accuracy is eventually related to the validity. In addition, it is necessary to examine how well many actors related to JPA are cooperating.

4. Methodology

Since its introduction in 2000, JPA has assessed the performance of upper local authorities, which are seven metropolitan cities and nine Provinces. Although JPA can evaluate the performance and achievement of lower-level authorities, such as cities and counties according to the Assessment Act, it often indirectly assesses them due to the hierarchy between local authorities. Since upper local authorities direct lower-level authorities, the outcomes that the former provide often refer to the total sum of the latter's performance. For example, an evaluation of care home service for elderly people in JPA needs to collect data from not only an upper local authority but lower level authorities in its territory. In short, JPA concerns the performance of both upper- and lower-level authorities, although it only grades and publishes the achievement of upper local authorities.

According to the Assessment Act (s. 21), MOPAS conducts JPA on the functions and powers delegated to local government; the implementation of policies and programmes funded by central government; and some important local government's own tasks or work. The framework of JPA is annually decided in terms of a JPA primal plan which is made by the Committee for JPA and MOPAS, and approved by the CGA. Since the introduction of the new framework in 2005, there have been no significant changes or moderation on the JPA framework. The 2006 JPA which was conducted in 2007 consisted of three components as the following:

- The assessment section of local government activities and achievement (AA) to assess the activities and performance of local government in the area of functions and powers delegated or policies and programmes funded by central government, including its capacity;
- The assessment section of national priority targets (ANT) for two important policies which resulted in political or administrative issues in the year;
- Ten individual evaluations of local government by MOPAS, MOSF, the MCST, MOGE, the MW, the MLTM and NEMA²¹⁸, the results of which are reflected in AA (MOGAHA, 2006a).

²¹⁸ These are all central government departments or agencies. The MW is the acronym of the Ministry of Health and Welfare; MOSF is the Ministry of Strategy and Finance; MOGE is the Ministry of Gender Equity; MLTM is the Ministry of Land, Transport and Maritime Affairs; the MCST is the Ministry of Culture, Sport and Tourism; and NEMA is the National Emergency Management Agency.

As a result, local authorities are assessed by two assessment sections in the 2006 JPA: AA and ANT. JPA measures the performance of local government regarding 46 policies and programmes of 14 participant ministries and administrative agencies. AA is composed of eight assessments on 44 policies and programmes while ANT is undertaken as one assessment of two areas: food hygiene management and energy consumption efficiency. In addition, the results of ten individual assessments by seven ministries and administrative agencies which are individually undertaken and published are combined in AA for the final AA scores.

4.1. The assessment section of local government activities and achievement (AA)

AA concerns how efficiently and effectively local authorities are implementing policies and programmes delegated or funded by central government, how well they are producing services to local community and how much local people are satisfied with those services. The policies and programmes that relate to people's daily lives, or are essential to local community are chosen to be evaluated in AA by the Committee for the JPA in consultation with government departments. As a result, AA assesses how well local authorities are implementing policies and programmes closely related to national priorities, and so how well they are producing services and achieving service standards determined by central government.

Since the 2004 JPA, there have been eight assessments in AA which generally cover most functions or services of local government. In the 2006 JPA, they were the assessment of: local administration (ALA); health and social welfare (AHW); environment management (AE); policy on women (APW); local economy (ALE); regional development (ARD); culture and tourism (ACT); and security for life and property (AS). Each of these assessments comprised five to six themes that were closely related to central government policies and programmes and totalled to 44 themes in the 2006 JPA (table 7-2).

Table 7-2. AA in the 2006 JPA

Assessment	Themes (44 themes and 123 PIs)	Competent Departments
		219

²¹⁹ The MOE is the Ministry of Environment; MEST is the Ministry of Education, Science and Technology; the MKE is the Ministry of Knowledge Economy; the MPVA is the Ministry of the Patriots

Local administration (ALA)	<ul style="list-style-type: none"> • The internal organisational-management in local government [4 PIs] • Local civil servant training [5 PIs] • Official records management [3 PIs] • Regulation reform [4 PIs] • Land register administration [5 PIs] • *3 individual evaluations 	MOPAS
Health and social welfare (AHW)	<ul style="list-style-type: none"> • The Expansion of Welfare facilities for elderly people [2 PIs] • Procurement from companies of the disable [1 PI] • Mental disease management [4 PIs] • Benefits for veterans and patriots [5] • Herbal medicine distribution management [3 PIs] • *1 individual evaluation 	MW MW MPVA KFDA
Environment management (AE)	<ul style="list-style-type: none"> • Environment management policy [4 PIs] • Nature conservation programme [3 PIs] • Waste disposal [4 PIs] • Air pollution management [1 PI] • CO2 reduction [2 PIs] • Water quality control [3 PIs] 	MOE
Policy on women (APW)	<ul style="list-style-type: none"> • Women resources development [1 PI] • Support for the vulnerable women [1 PI] • Childcare service [3 PIs] • Gender equity programme [1 PI] • Gender-recognised education in officer training [1 PI] • Preventing violence in family and sexual abuse [4 PIs] • *1 individual evaluation 	MOGE
Local economy (ALE)	<ul style="list-style-type: none"> • Employment promotion [3 PIs] • Job support programmes [5 PIs] • Part-time job control [2 PIs] • Price management [6 PIs] • Local councils for cooperation between labour, business and government [3 PIs] • Procurement from small and medium industry [4 PIs] • *2 individual evaluations 	MOL MOPAS,MOL MOL MOPAS MOL SMBA
Regional development (ARD)	<ul style="list-style-type: none"> • Construction administration [3 PIs] • Public rental house construction [4 PIs] • House improvement in rural areas [3 PIs] • NGO support [3 PIs] • Science and technology promotion [4 PIs] • Fair trade administration [2 PIs] • *1 individual evaluation 	MLTM MLTM MOPAS MOPAS MEST MKE & KIPO
Culture and tourism (ACT)	<ul style="list-style-type: none"> • Tourism infrastructure development [3 PIs] • Tourism advertisement [3 PIs] • Culture and art [3 PIs] • Culture infrastructure construction [3 PIs] • Signboard regulation [4 PIs] • *1 individual assessment 	MCST MCST MCST MCST MOPAS
Security for life and property (AS)	<ul style="list-style-type: none"> • Civil defence [3 PIs] • Fire security [5 PIs] 	NEMA NEMA NEMA

and Veterans Affairs; the KFDA is the Korean Food and Drug Administration; MOL is the Ministry of Labour; the SMBA is the Small and Medium Business Administration; KIPO is the Korean Intellectual Property Office; and the KFDA is the Korean Food and Drug Administration.

<ul style="list-style-type: none"> • Children accident prevention [3 PIs] • Safety education [5 PIs] • Facility security [2 PIs] • *1 individual assessment 	NEMA MLTM
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Source: adapted from the Execution Plan of the 2006 JPA (MOGAHA, 2006b: 17)

4.1.1. The assessment of local administration (ALA) in AA

Most policies and programmes evaluated in AA are delegated or funded to local government by government departments and thus closely related to service provision or delivery. However, the assessment of local administration (ALA) principally assesses the internal management of local government rather than certain service provision and thus relates to its capability and capacity to provide services. In the 2006 JPA, ALA consisted of five themes and three individual evaluations (MOGAHA, 2006a; b). The former were ‘organisational management’; ‘local officer training’; ‘official records management’; ‘regulation reform’; and land register administration, while the latter were evaluations of ‘local government innovation’, ‘e-local government’ and ‘local finance management’.

The theme of organisational management concerns how efficiently a local authority is managing its internal structure and organisations. In detail, it assesses how many managers, officers and employees are working in a local authority and how many organisations and institutions it has in comparison to its service demands and other authorities. As seen in the Parkinson’s Law²²⁰ (Parkinson, 1957), government officials and organisations tend to expand by themselves. Therefore, this assessment may help local government manage its structure and the number of local officers, and thus control the cost of labour (personnel expenses). ‘Local officer training’ involves how local authorities are managing their human resources (e.g., developing expertise and skills). ‘Regulation reform’ concerns how well they are deregulating for the delivery of better services and promotion of the private sector organisations.

Three other individual evaluations also assess the capacity of local government. First, the Assessment of Local Government Innovation assesses how strongly local authorities are innovating their work, process, behaviour, and culture and how continuously they are improving themselves as a learning organisation (MOGAHA, 2007a; b). In detail, this assessment concerns their political and managerial leadership,

²²⁰ According to Parkinson (1958), the growth of staff members results from two forces: their tendency to more subordinates and making work for each other.

man-power and training, and organisational learning activities for continuous innovation. It also assesses local authorities' achievement in innovation targets, such as the enhancement of user satisfaction, administrative transparency, process innovation and performance management. The assessment of learning²²¹ and innovation in local government is one of the strongest characteristics of the JPA framework since public organisations have faced rapid changes in environment including globalisation, which have resulted in significant changes in products, services and organisations (Schön, 1973; Senge, 1990; Kerka, 1995). Therefore, learning and innovation are regarded as crucial organisational elements for performance improvement, growth and long term survival in any organisation (Argyris and Schon, 1978; Senge, 1990; Kaplan and Norton, 1992; Osborne and Brown, 2005). In practice, learning, creativity and innovation are regarded as an element of organisational performance in BSC (Kaplan and Norton, 1992). In this sense, the assessment of innovation and learning in JPA can encourage local authorities to improve their performance continuously for the future.

The Local Finance Analysis concerns the financial management of local government, for example, from revenue and expenditure to finance management systems including bylaw and procedures (MOPAS, 2008a; b). It consists of six themes for the assessment: revenue management, expenditure management, financial management, debt management, fiscal transparency and financial system reform (MOGAHA, 2007c; d). The themes of revenue, expenditure and debt management concern how efficiently local authorities manage their revenue, expenditure and debt. 'Financial management' concerns how accurately they are budgeting and how well they are managing their budget in connection to their strategies and plans. 'Fiscal transparency' involves their efforts to encourage the public to participate in finance management and 'financial system reform' assesses their effort to make more efficient finance management.²²²

The Assessment of e-Local Government evaluates how efficiently local authorities are developing, managing and using IT systems to provide better services (MOGAHA, 2005c; 2007e). In detail, it assesses three aspects of local government performance

²²¹ The concept of organisational learning or learning organisations since the 1970s has been developed in especially the private sector in response to rapid environmental and technical changes, and then increasingly emphasised in government (*see* Schön, 1973; Senge, 1990; Kaplan and Norton, 1992; Kerka, 1995; Osborne and Brown, 2005).

²²² 25 PIs among 30 PIs in this assessment are decided by statistical data, but 4 of them are decided by inspectors' qualitative decision based on evidence. One of them is a resident satisfaction survey of local government's expenditure by telephone, which is commissioned to and carried out by a professional polling organisation.

regarding e-local government: leadership and budget for e-local government; managing equipments, man-power and IT training; and IT services for local communities such as m-government services and e-commerce support²²³.

In conclusion, the result of ALA can show how well local authorities manage and improve their capability and capacity for the better implementation of policies and programmes and better service delivery. It covers a range of aspects of their capacity such as the management of organisation and structure, and human, financial and IT resources; and internal administration reform or innovation. Although it is placed in AA, ALA can be regarded as a similar assessment to CA and UOR in English CPA. This also means that ALA plays an important role in JPA because it makes JPA as a balanced framework which shows the performance of local government related not only to public services but to capability and capacity for improvement in the future.

4.1.2. Other assessments in AA

Seven assessments other than ALA in AA all concern certain policies and programmes that relate to the direct provision of public services for local people and communities (MOGAHA, 2006a, b). Therefore, local authorities are assessed regarding how well they are implementing certain policies and programmes, and thus how well they are producing quality services for local community. For example, the assessment of environment management (AE) takes a broad view of how well local authorities are achieving environmental performance through implementing several policies and programmes which significantly concern the Ministry of the Environment (table 7-2). Similarly, the assessment of health and social welfare (AHW) concerns how well they are improving the quality and delivery of hygiene and social welfare services which are the main priorities of the Ministry of Health, Welfare and Family. Other assessments such as APW, ALE, ARD, ACT and AS also assess how well local authorities are implementing policies and programmes and thus delivering better services (table 7-2) (MOGAHA, 2006b: 69).

For the assessment of local government performance in JPA, a variety of performance information and data are collected and then analysed in terms of hundreds of PIs, targets or performance standards which involve the input, output and outcomes or effects of policies and programmes. Some of them concern planning, budgeting and

²²³ Mobile-government is assessed by such services as PDA (personal digital assistant), SMS (short message service) and GIS (geographical information system) management.

bylaws in local authorities. For example, the assessment of environment management (AE) in the 2006 JPA assessed whether local authorities made mid-long term plans for environment management and conservation plans for the natural environment. There are broad user satisfaction surveys for one or two themes of the eight assessments in AA. Survey results are combined with the assessment result of PIs for each relevant assessment with a weight of 20%. These satisfaction surveys are rolling surveys so that they are conducted on different themes each year. In the 2006 JPA, there was a user satisfaction survey on the theme of land register administration in ALA in AA.

There were total 154 PIs in the 2006 JPA, excluding those of ten individual evaluations: 140 PIs for 44 themes in AA and 14 PIs in ANT. According to the classification of these PIs by the Committee for JPA (MOGAHA, 2006b: 39, 222), in AA, 17 PIs were related to plans, 67 PIs to implementation, 49 PIs to output and 7 PIs to outcome. In ANT, the evaluation of food hygiene administration had 4 PIs related to implementation and 1 PI to output, and 5 PIs were related to implementation and 4 PIs to output among 9 PIs in the evaluation of energy saving programmes. Among these PIs, 28 PIs (18.2%) were directly related to the budget of local government²²⁴. Most PIs in JPA are related to how well local authorities are implementing policies and programmes and delivering outputs of those. In other words, JPA seem to mainly concern input and output rather than outcomes or long-term effects, although it has several user satisfaction surveys. Therefore, JPA needs to adopt more PIs or other measures that assess outcomes or service impact of local authorities.

Each PI is judged separately and brought together in an overall score for each theme of eight assessments in AA. In general, scores for PIs are arithmetically determined by statistical data, but some PIs are qualitatively judged by inspectors' (or the JPA team) decisions, which are based on evidence. Standards or thresholds for PIs are usually the targets of government policies and programmes or the average degrees that local authorities have achieved in the year. Each score in each theme is then combined to provide the final score for each assessment in AA, in terms of weights for each PI and each theme²²⁵.

²²⁴ Example of those were PIs of local officers training, a stack room for official archives and records, the budget of mental health programmes, the welfare facilities for the aged, nursery services, culture and art promotion, culture infrastructure, the support for voluntary groups for security.

²²⁵ For example, AE in 2006 JPA weighted the theme of environment management policy by 22.1; nature conservation programme by 17.9; waste disposal by 16.4; air pollution management by 11.6; CO2 reduction by 14; and water quality control by 17.8. The theme of water quality control distributed its weight of 17.8 to its 3 PIs: collecting waste-water charge by 6.7; managing sewerage pipes by 6.5; and operating a waste-water disposal plant by 4.6.

4.2. The assessment section of national priority targets (ANT)

ANT assesses how well local authorities are achieving the most important national-priority policies or programmes in the year (MOGAHA, 2006a; b). They are generally chosen as those that have strongly created social attention or influenced people's daily lives during the year. In other words, policies and programmes related to some social problems that are often given special or strong attention in the year are selected as the objects of ANT by the Committee for JPA in consultation with the CGA and government departments. ANT usually consists of two assessments but reports one assessment result in the combination of their results: e.g., the assessment of 'security management for construction facilities' and 'security management for disaster' in the 2004 JPA; 'social welfare service for national basic living standard' and 'waste control' in the 2005 JPA; and 'food hygiene administration' and 'energy saving' in the 2006 JPA.

ANT uses different evaluation methods and process from AA (MOGAHA, 2006b). First, local authorities need to complete a detailed self- assessment which concerns the whole process of policies or programmes from formation and implementation to effect. Second, user satisfaction surveys are fully undertaken on all policies and programmes in ANT. In the 2006 JPA, there were two broad user satisfaction surveys in the two assessments of 'food hygiene administration' and 'energy saving'. In addition, ANT is conducted as a form of on-site assessment or field work because of the necessity of deep investigation of related social problems. However, on-site assessment is not used for grading or rating local authorities but for providing information for the development of service standards and policy alternatives to central and local government. In order to obviate causing burden on local authorities, judgement on how they are achieving is determined by performance data and PIs regardless of the result of the fieldwork (MOGAHA, 2006b). Therefore, on-site assessment is usually undertaken at several authorities, not at all local authorities. For example, the JPA team visited and evaluated several authorities' facilities for food-waste disposal in the 2005 JPA.

As in AA, scores for the PIs of each assessment in ANT are weighted and brought together into an overall score. That is to say, two assessments in ANT are combined into one final score for each local authority's ANT score. For example, each result of the

evaluations of ‘food hygiene administration’ and of ‘energy saving’ in 2006 JPA was combined into one ANT result²²⁶.

4.3. Individual assessments of local government combined into JPA

Central government departments principally have to evaluate local authorities within the JPA framework, but some departments are permitted to undertake individual evaluations by the CGA because they are not suitable to be conducted in the JPA framework. For example, they are usually highly professional or technical; demand a long assessment period; or are often related only to certain local authorities or directly to lower-level authorities (CPE and OPC, 2004; CGA and OPC, 2006). Among these individual assessments, some assessments are selected to be combined into JPA results by the Committee for JPA, because they are closely related to the assessments of JPA or performance to be assessed in the JPA framework. Each result of them is separately published by competent ministries and then provided to MOPAS for JPA rating. This intends for JPA to show local government performance more comprehensively in a rounded picture.

JPA and these individual assessments are alike in that both use PIs as PMs rather than any qualitative measure. So as to measure the quality of performance, satisfaction surveys are also broadly used in those assessments with some PIs that are scored by inspectors’ qualitative judgement.

There were twenty six evaluations of local government officially undertaken by ten ministries in 2006 and the 2005 JPA reflected the results of eight evaluations. The 2006 JPA conducted in 2007 also included ten evaluations that were individually carried out and published by seven ministries (MOGAHA, 2006b). For example, the result of Local Finance Analysis, which is an annual assessment of local finance management undertaken by MOPAS on all local authorities, was combined to JPA results in 2007, because it gives important explanation of local finance. As examined above, three individual assessments were included in ALA as the assessment of local government capacity, while seven other assessments were all related directly to service provision to the public which involved the policies and programmes of central government. Those brought into the 2006 JPA are seen in table 7-3.

²²⁶ These two assessments were combined by each weight of 49.7 and 50.3 and these weights were also allocated to PIs in each assessment (e.g., in the assessment of food hygiene administration, 9.5 to the rate of food-inspection staff; 11.1 to food safety examination; 10.7 to the exposure of unsanitary food; 8.9 to the advertisement of HACCP; and 9.5 to preventive hygiene against food poisoning).

Table 7-3. Individual evaluations of local government to be combined in JPA

AA of JPA (10)*	Individual evaluations	Competent Departments
ALA (3)	<ul style="list-style-type: none"> • Local government innovation • E-local government • Local finance analysis 	MOPAS
AHW (1)	<ul style="list-style-type: none"> • Local social welfare services evaluation 	MW
APW (1)	<ul style="list-style-type: none"> • Reducing the size of the sex industry 	MOGE
ALE (2)	<ul style="list-style-type: none"> • Customer protection administration • National property management 	MOSF
ARD (1)	<ul style="list-style-type: none"> • Individual land-price assessment 	MLTM
ACT (1)	<ul style="list-style-type: none"> • Cultural heritage management 	MCST
AS (1)	<ul style="list-style-type: none"> • Precautionary programmes for disaster 	NEMA

Source: MOGAHA (2006b)

4.4. Process

JPA is usually conducted in four steps: planning, developing, implementing, and reporting and feedback (Kim and Park, 2003: 130). First, in the stage of planning, policies and programmes to be assessed in JPA are annually renewed or re-decided in the JPA primal plan by the Committee for JPA in cooperation with the CGA and government departments. This plan contains details regarding its range, period and methods, and individual evaluations to be combined in JPA, in accordance with the Basic Plan for Government Activity Assessment (BPGA) determined by the CGA. In the second step of developing, the Committee for JPA makes a JPA execution plan and JPA manual that contain targets, PIs and standards and other details, such as data collection and final reporting. PIs are broadly reviewed and changed every year²²⁷. Central and local government are strongly encouraged to participate in this stage. Third, local authorities are in practice assessed by the JPA team in terms of on-desk assessment in AA and on-site fieldwork in ANT. Each local authority submits self-assessment with evidence and data. Finally, the JPA team reports assessment results to the Committee for JPA reviews, which checks them and then finally confirms JPA rating of each authority in each assessment of AA and ANT. Following reporting it to the CGA (and the prime minister), it is published to people as well as to local and

²²⁷ According to interviewees, in terms of the annual review of all PIs in JPA, around 20% of them were replaced by new ones and 30% of them were revised each year. (PIs have been reviewed and continuously corrected with the reduction of the number of PIs, for example, there were 294 PIs (22 outcome PIs) in the 2004 JPA, but 153 PIs (53 outcome PIs) in the 2006 JPA).

central government. Local authorities and ministries are expected to use JPA result for the improvement of their work and the development of the next JPA framework.

Although all plans and manuals related to JPA are made in the previous year, the practical assessment of local authorities by the JPA framework are usually undertaken from January to April in the following year and its result is published in June. For example, the 2006 JPA which was intended to assess what performance local government achieved and improved in 2006 was in practice conducted from January to April in 2007 and published in June.

JPA is principally based on desk-assessment with self-assessment and evidence submitted by local authorities. Although the JPA team visits local authorities, this is not for an in-depth research evaluation but for data-checking. The self-assessment of each theme in AA and ANT highlights how well local authorities have achieved the goals of policies and programmes, improved services and addressed their weakness. Therefore, self-assessment gives local authorities an opportunity to review their performance for improvement just like their own management process (*see* Broadbent, 2003). Self-assessment may also reduce some perverse effects in that it can be regarded as ‘the bottom-up approach’ by local authorities (chapter 2). However, local authorities may accept self-assessment in JPA as another administrative burden because they are rated merely by PIs and statistical data. As a result, the self-assessment in JPA may become a perverse effect in itself, causing local authorities to spend extra money and time.

Local authorities are also required to submit excellent cases in relation to each theme in AA. The most excellent cases are selected by the Committee for JPA and published as a book for benchmark between local authorities.

Evidence to show performance or achievement such as data and documents is submitted to an Internet based computer system for JPA which is known as the Virtual Policy Studio (VPS). The evidence put in VPS is checked not only by the JPA team and relevant government departments but also by all local authorities, since all data and evidence that are put in VPS are open to them. Therefore, local authorities can observe data and evidence that others submit and then can request the JPA team to check and verify the validity of those in detail. In fact, many data and evidence have been indicated by local authorities for the JPA team to review (e.g., 480 cases in ALA and 437 cases in AE in the 2004 JPA).

This mutual data-checking between local authorities was introduced in the 2003 JPA for the improvement of the validity of JPA. Since the performance data and

evidence of a local authority can be well recognised by its neighbour authorities, the mutual checking on those might contribute to the data credibility of JPA and thus the validity of its results. In fact, this can prevent local authorities from ‘gaming’. According to Park (2006: 264), what local authorities request the JPA team to check and verify are generally the data and evidence that relate to outcomes and impact rather than input and output. On the other hand, this may mean that such performance as outcomes or impact is not easy to measure by statistical data. In sum, the mutual checking on data and evidence between local authorities appears very efficient and effective for the assurance of data accuracy and verification in that they may well know the performance of their neighbours which tend to be placed in the similar environment.

4.5. Rating and incentives

According to two different rating-standards (a relative standard in AA and an absolute standard in ANT) JPA ranks local authorities in each of nine assessments (eight assessments in AA, and one in ANT) and provides league tables of their performance. AA classifies local authorities into a three-level category: a top-level, mid-level or low-level in terms of relative comparison between their performance scores. This relative grouping aims to secure that they compete with each other more rigorously to achieve better performance, instead of giving them generous scores and rating, which may often happen by absolute standards. Strong competition by relative standards can help them implement policies and programmes and deliver services more efficiently and effectively so that they can improve performance and achieve goals. The tendency or proneness of generosity can also be prevented by this relative categorisation. As a result, the assessment results of a certain local authority in AA is likely to fluctuate frequently rather than to be stable in a certain level, due to the relative competition.

This relative ranking in AA is made within the same sorts of local authorities and thus metropolitan cities compete with other metropolitan cities as is the same to Provinces. This is because there is a need to consider socio-economic differences between urban and rural areas on the one hand: and because the functions and powers of metropolitan cities are slightly different from those of Provinces on the other (chapter 3). For this reason, local authorities are compulsorily classified in one of three between two different groups in AA: the category of a top-level (2 metropolitan cities, 3

Provinces); a mid-level (3 metropolitan cities, 3 Provinces); and a low-level (2 metropolitan cities, 2 Provinces).

The relative ranking system in AA might result in some perverse effects (chapter 2; Hood, 2007). Although all local authorities have achieved regarding certain services over a certain standard that is nationally demanded, they have to put more resources into them to win a competition or defeat other authorities ('provision distort'). In this sense, JPA appears to be more importantly regarded or dealt with in local authorities than it should be in place ('goal displacement').

In addition, it may categorise local authorities inappropriately because it have to categorise some authorities in a lower level whether they have satisfied certain standards that are necessarily demanded over the country. For example, according to the 2006 JPA result, there was no local authority categorised at the low level in ANT where an absolute standard was used, but each assessment in AA had to place five local authorities at the same level because of its relative rating (table 7-4). Paradoxically, some authorities may consequently be shamed at their performance that is absolutely satisfactory, but relatively regarded as being poor at the bottom level.

Table 7-4. The rating of local authorities in the 2006 JPA

8 assessment results in AA	• ALA	7 Metropolitan cities	Top-level	2
	• AHW		Mid-level	3
	• AE		Low-level	2
	• APW	9 Provinces	Top-level	3
	• ALE		Mid-level	3
• ARD	Low-level		3	
1 ANT result	• ACT			
	• AS			
	by the mixture of 2 different assessments: e.g., in 2007, food hygiene administration and energy saving	Top-level : over 85 points Mid-level : 70-85 points Low-level : under 70 points		

Source: MOGAHA (2006a; b)

In AA, excellent cases that local authorities report regarding performance improvement in each assessment or certain policies/programmes are qualitatively evaluated by four standards: how they are 'innovative', 'economical', 'effective' and 'adaptive-likely to other authorities'. Although they are not ranked, significant improvement cases are chosen as 'the most excellent cases' and published for benchmark between local authorities.

On the other hand, each local authority is given an absolute rating in ANT, in terms of a fixed or pre-determined standard, regardless of whether it is a metropolitan city or Province. This is because ANT aims to check whether some important targets are achieved over the minimum standards that are nationally demanded to cope with certain social problems. Similarly to AA, ANT classifies local authorities into one of three categories: a top-, mid- or low-level. As a result, instead of perverse effects by rigorous competition, the proneness of generosity in assessment might happen.

Another problem regarding classifying local authorities in ANT is that it combines two different areas of policy. For example, the ANT in the 2006 JPA consisted of the assessments of 'food hygiene' in the jurisdiction of the KFDA and 'energy saving' in the MKE (table 7-4). They were totally different policies, but a mixture of their assessment results was used to categorise local authorities in one assessment ranking of ANT. Therefore, this is unlikely to make sense to stakeholders, and thus their results need to be separately reported for better understanding.

The result of JPA is determined by the Committee for JPA and published by MOPAS following report to the CGA. The final report of JPA is fully delivered to local authorities with the book of the Most Excellent Cases, but those ranked at the top-level groups in nine assessments are merely announced to the public in terms of a press release and MOPAS's website (*see* the full 2006 JPA result in table 28 in Appendix). JPA results are expected to be used for central and local government to improve their policy process and deliver better services. Their performance is compared to others' in league tables and thus this encourages local authorities to benchmark each other, particularly in terms of a relative ranking system, which shows the best practice, and the choice of the most excellent cases. Although this is a common way for organisations to engage in innovation (Brannan, et al., 2008), there may be a doubt whether the most excellent cases chosen in JPA are used as a guide of learning and innovation by local authorities. This is because the best practice of an organisation is not automatically adapted to other organisations but used depending on the degree of innovativeness, capacity and professional staff as Brannan, et al. (2008) observe. For instance, more innovative local authorities with greater capacity and professional staff tend to use other authorities' best practices. In addition, the best practices are often difficult to apply to other organisations because they might not be effective elsewhere. Therefore, there is a need to investigate that JPA results, including the book of the Most Excellent Cases contribute to innovation and learning in local authorities.

According to JPA results, local authorities are named and shamed, but the biggest incentives for them are extra money funded by MOPAS that is allowed to spend their own disposal. A significant amount of extra financial support has since 2000 been distributed to the local authorities categorised in the top levels in JPA: it was totalled to 4.8 billion in 2000, 8 billion in 2001, and 10 billion Korean Won²²⁸ afterwards. Local authorities may try their best for the extra funding because of their lack of financial resources (chapter 3). In this sense, it can strongly stimulate them for performance improvement.

JPA also has incentives for local officers. Those who significantly contribute to performance improvement are awarded according to JPA results. Although this is not a monetary reward, it is related to personal appraisal and thus likely to encourage local officers effectively to do their best as Swiss (2005) notices.

4.6. Conclusion

JPA measures how well local authorities are implementing policies and programmes and thus delivering better services for local people and communities. Based on the Assessment Act, MOPAS fulfils its duty by the JPA framework which is part of grand performance management on the whole public sector organisations in Korea. JPA combines a set of judgement of a range of local government performance including capability and capacity, and finally categorise all upper local authorities into one of three categories in nine assessments.

As such generic performance measurement models as BSC or EFQM, JPA is based on the balanced perspective of organisational performance and thus shows the different aspects of local government performance in a rounded picture (*see* Jackson, 1993, Bouckaert and Halligan, 2008). Therefore, it can reflect different stakeholders' views and opinions.

For the assessment of local government performance, JPA employs a variety of PIs which measure its different aspects from input and output to outcomes and impacts. Since PIs are generally assessed in terms of statistical data, they of course spend less time and money and might be more rigorously objective than qualitative PMs. For the measurement of the qualitative aspects of local government performance, some PIs are scored according to inspectors' (the JPA team) qualitative judgement on evidence and

²²⁸ This was around 5.5 million British pounds in 2007.

data including plans, budget or bylaws. In addition, outcomes in several service areas are measured through user satisfaction surveys.

However, the qualitative aspects of local government performance may not be easily assessed by PIs and statistical data. Since JPA has no qualitative PMs as KLOE in CPA in England, but uses merely PIs, quality and outcomes of local government services are unlikely to be sufficiently assessed in the JPA framework. For example, some PIs in JPA concerning the plans and strategies of local government merely assess whether those are made or not. However, it seems to benefit from its cost and time of assessment, and the objectiveness and trust of assessment results.

In terms of producing league tables between local authorities, JPA can stimulate them to improve their ranking and thus ultimately deliver better services (*see Kelly, 2003*). This seems to be accelerated by the specific incentives of JPA, such as extra funding to local authorities and awards to local officers. However, as long as JPA is used as target and ranking systems, it is likely to result in such gaming as ratchet effects, threshold effects and output distortions (chapter 2; Hood, 2007).

This is again likely to be accelerated by the relative ranking systems of the final JPA categorisation. In fact, the relative standard or ranking system in JPA might encourage local authorities to spend more resources even though they have already achieved certain targets and standards that meet people's needs. In this sense, JPA or good JPA results may become a goal itself in local authorities, which means 'goal displacement'. Another problem in the relative ranking system in JPA is that it can cause a paradox because it may punish good performing authorities (*see de Bruijn, 2002*). This is because although everybody performs well, JPA categorises some of them into a low level group.

JPA tries to show the performance of local government in a rounded picture, but may encounter the criticism that it does not cover all important activities of local government. According to the Assessment Act, the JPA framework can relate not only to its function and powers delegated or funded by central government, but to its autonomous activities. However, JPA generally assesses the performance of local government in its delegated or funded functions in the light of government policies and programmes. Since the 'inherent function or affair' of local government is usually regarded as existing in local autonomy (chapter 3), the performance of local government in the area of its inherent function and services has only a limited assessment in JPA. As

seen in chapter 3, a third of local government activities consist of the inherent function and thus JPA does not comprehensively show all the aspects of its performance.

Another criticism is that JPA does not incorporate all other individual evaluations of local government by central government. According to MOGAHA (2006c), 29 central government departments and administration agencies were individually conducting up to 108 evaluations or monitoring of local government in their policy areas in 2006. Therefore, local authorities have been burdened with heavy administrative process, such as making reports and submitting data by such individual assessments as well as JPA. This heavy administrative burden on local authorities is also likely to threaten the autonomy of local government because it can distract them from their own work and damage staff's morale (*see* Pratchett and Leach, 2003; Wilson and Game, 2006).

In sum, the methodology of JPA seems to be an advanced performance measurement system to show a range of local government performance, because it is based on a balanced perspective of performance. However, as seen above, it has some weak points that may corrode its validity (e.g., the lack of PMs to assess the qualitative aspects of performance) and possibility of perverse effects. In addition, it may conflict with local autonomy, since it is a management tool of local government by central government. Therefore, it is necessary to investigate whether JPA is in practice valid to assess the performance of local government comprehensively and functions positively and legitimately towards local government.

This chapter investigates the introduction and development of JPA, the assessor of local performance by JPA – MOPAS and other organisations, and its formal aspects such as aims and methodology. It shows that JPA was introduced to improve local government performance and enhance its accountability in response to environmental changes, related particularly to the exchange crisis in 1997 and establishment of local elections in 1995. It finds the efforts of MOPAS to develop expertise and ensure political neutrality in relation to the assessment of local performance in practice. The detailed examination of the JPA methodology shows that it assesses local performance in a rounded picture and facilitates their competition and comparison through the production of league tables. However, the analysis of the formal aspects of JPA is not sufficient to conclude about whether it is in practice delivering its aims, its assessment results are accurate and politically-clean, and its validity, functionality and legitimacy in local performance or between central and local government is established. Case studies on JPA will examine all of these questions in the next chapter.

Chapter 8. Experience in Korea: Case Studies of JPA

This case study chapter reports research undertaken on the implementation and effectiveness of the JPA system in Korea. It utilises the case study method outlined in chapter 6 and provides a direct comparison with the UK cases. The material examined, and the empirical research undertaken through interviews and analysis of primary documentation, was informed by the definitions of performance assessment models outlined in chapter 2 and 3 and by the key analytical approaches covered in chapter 6. It was possible to test the assumptions derived from the literature and previous studies against the experience found in these two local authority areas (Daegu Metropolitan City and Chungbuk Province).

Accordingly, this chapter first presents a brief outline of the two areas to provide context and then goes on to cover the key analytical categories of validity, legitimacy and functionality. The concluding section presents some initial analysis and the overall conclusions about JPA in its formal and informal aspects. The bulk of the comparative analysis between CPA in England and JPA in Korea is presented in chapter 9.

1. General information of Daegu Metropolitan City and Chungbuk Province

Daegu Metropolitan City embraced about 5.3% (2.5 mn) of the national population of 49 mn in Korea in 2008. Regarding age distribution, 73.4% of its population ranged from 15 to 64 years, which was similar to other metropolitan cities. In its territory and control, there are 8 lower level authorities (7 Gus and 1 Gun), which comprised 143 administrative units (Dong/Eup/Myeon) (*see* chapter 4). There were 11 departments²²⁹ under the mayor directly elected by residents in 2008. The Daegu Metropolitan Council, which consisted of 27 members including 3 proportional representatives, organised into 7 committees²³⁰

The 2008 budget of Daegu was 4.2 thousand billion Korean Won (about £2.1 billion in 2008) which was divided into the general account (70%) and special account

²²⁹ They are the department of Planning & Coordination; Business Support; New Technologies & Industries; Autonomous & Administrative Affairs; Culture & Sports; Health, Welfare & Women; Environment & Greenery; Urban Affairs & Housing; Transportation; Construction & Disaster; and Fire Fighting, with offices of Public Relations; and Audit & Inspection.

²³⁰ They are those for Steering, Administration & Local Autonomy, Education & Society, Economy & Transportation, and Construction & Environment, including 2 special ones for examining bills and councillors' ethics.

(30%). Most of its financial resources were spent for welfare (40.8%), road and transportation (22.1%) and environment (16.3%). Following this, it spent money on such categories as economy and science (11.7%), leisure and sports (4.3%), and city development and disaster management (4.7%). It is generally financed by local tax (35.2%), fee and charge (25.8%), local share tax (11.7%), specific grant (22%) and borrowing (5.3%) (*see* the 2008 Daegu budget book at its web site²³¹). The allocation of Daegu's budget (expenditure and revenue) is very similar to other metropolitan cities, because all of them accepted welfare, transport and environment as their main policy issues in urban areas.

According to the 2006 JPA result published in 2007 (table 8-1), Daegu was ranked at the top level in two assessments in AA (ALA and ALE); at the mid level in two assessments (ARD and AS); and at the low level in others. It was ranked at the mid level in ANT in 2007. Since each local authority may be expected on average to typically receive assessments at each of the top, mid and low level in JPA, Daegu is likely to be regarded as being an average local authority from the perspective of JPA results.

The time-series analysis of JPA results seems to hardly produce any meaningful signals about local authorities' progress and improvement, because of its relative ranking system. For example, the JPA results of Daegu for 2005 to 2007 fluctuated frequently: top (2005) to low (2006) in AHW. However, its JPA result in AE may provide a meaningful signal, because it was continuously graded at the low level for the last three years.

Table 8-1. The JPA results of Daegu for 2005-2007

Assessment Sections	Assessments	2005	2006	2007
AA	Local administration (ALA)	Mid	Mid	Top
	Health and social welfare (AHW)	Low	Top	Low
	Environment management (AE)	Low	Low	Low
	Policy on women (APW)	Mid	Mid	Low
	Local economy (ALE)	Mid	Mid	Top
	Regional development (ARD)	Top	Top	Mid
	Culture and tourism (ACT)	Mid	Mid	Low
	Security for life and property (AS)	Mid	Top	Mid
ANT		Mid	Mid	Mid

Source: adapted from unpublished internal documents of MOPAS (collected by emailing with officials in MOPAS, 26/06/08)

²³¹ www.daegu.go.kr

Chungbuk Province is located in the rural area with a population of 1.5 mn in 2008 (3.1% of the total population) and in its territory and control, there are 12 lower level authorities (3 Cities, 9 Guns), which have 153 administrative units (Dong/Eup/Myeon). Similarly to other Provinces except Gyeonggi which surrounds Seoul, the capital, there is a higher population of old people relative to the national average in Chungbuk. There were 9 departments²³² in its headquarters under the governor directly elected by voters in 2008. The Chungbuk Provincial Assembly (council), which was composed of 31 members including three proportional representatives), were structured with 7 committees²³³ in 2008.

The 2008 budget of Chungbuk was 2.4 thousand billion Korean Won (around £1.2 billion) which consisted of the general account (83%) and special account (17%). Most of its budget was spent for welfare (29.2%), economy and industry (18%), and regional development and disaster management (7.5%) as other Provincial authorities, followed by such categories as road and transportation (6.2%), environment (6.2%), and tourism, leisure and sports (3%). It was financed by local tax (20.2%), fee and charge (13.1%), local share tax (16.3%), grant (45.3%), and borrowing (5.1%). The expenditure and revenue of Chungbuk is very similar to other Provinces because they are all interested in economy, industry and regional development because of their economic weakness or deprivation.

The 2006 JPA result published in 2007 shows that Chungbuk was ranked at the top level in ANT and in AA at the mid level in two assessments (ALA and AHW) at the low level in others (table 8-2). Therefore, Chungbuk may be regarded as being a local authority, although JPA results cannot tell an absolute degree of a certain local authority's performance because of its 'relative competition'.

According to the time-series analysis of JPA results of Chungbuk for the last three years, its performance declined and it appears to be a poor performing authority, particularly compared to 2004 when it was ranked at the top level in five assessments. Although this does not mean that the performance of Chungbuk worsened from 2005 to

²³² They are the department of Policy Management; Local Administration; Economy & investment; Balanced Development; Agriculture Policy; Construction & Disaster Management; Welfare & Women; Culture, Tourism & Environment; and Fire Management, with offices of Public Relations; and Audit & Inspection.

²³³ They are those for Steering, Administration & Fire Service, Education & Society, Economy & Industry, and Construction & Culture, including 2 special ones for examining bills and councillors' ethics.

2007 in reality, it needs to obtain better JPA results to show its competence in comparison to other local authorities.

Table 8-2. The JPA results of Chungbuk for 2005-2007

Assessment sections	Assessments	2005	2006	2007
AA	Local administration (ALA)	Mid	Top	Mid
	Health and social welfare (AHW)	Top	Mid	Mid
	Environment management (AE)	Top	Top	Low
	Policy on women (APW)	Mid	Low	Low
	Local economy (ALE)	Top	Low	Low
	Regional development (ARD)	Mid	Mid	Low
	Culture and tourism (ACT)	Low	Mid	Low
	Security for life and property (AS)	Top	Mid	Low
ANT		Top	Low	Top

Source: adapted from unpublished internal documents of MOPAS (collected by emailing with officials in MOPAS, 26/06/08)

2. The Validity of JPA

According to interviewees, JPA was broadly perceived to be a good way of measuring the performance of local authorities over the country and comparing it between different authorities on the same scale centrally defined. However, PIs were often reported as being not valid enough to show qualitative aspects of performance (e.g., service quality and outcomes), although JPA had additional user satisfaction surveys. This was because they were based on the availability of data collection and thus principally connected to quantitative aspects of performance such as input or output. In addition, self-assessment was not reported as an important piece of evidence to show quality of performance, but just another set of documents because judgement in JPA depended merely on PIs. As a result, local government believes that qualitative performance is not sufficiently measured in JPA, and feels the necessity of qualitative PMs as long as their objectivity is ensured.

JPA appeared to insufficiently reflect deprivation or differentiation of financial resources between local authorities, although it distinguished the group of metropolitan cities (urban areas) from that of Provinces (rural areas). For example, the significant financial gaps between Seoul and other cities and between Gyeonggi and other Provinces may have concealed the real achievement of local government in JPA. Furthermore, PIs related to financial input might demoralise poor local authorities, not encourage for continuous performance. An officer in Daegu City said, “air pollution in

Seoul [the Capital] is poorest in the country, but it has been placed at the top in AE, because the PI of air pollution is connected to money...we cannot catch Seoul because of lack of financial resources and are deeply disappointed with the fact that JPA does not assess our efforts for the reduction of CO₂, such as planting trees in the city centre” (interview with Lee, S., 24/07/08)

This interview result is consistent with previous studies on CPA (Kim and Park, 2003; BAI, 2006; BAI and KAPAE, 2007). They commonly indicate that PIs in JPA under-recorded the qualitative aspects of performance with no consideration of socio-economic gaps between local authorities. MOPAS (MOGAHA, 2007f) has also admitted that there were some methodological problems in the 2006 JPA, for example, many PIs concerned input (e.g., budget and human resources) and output rather than outcomes.

In the area of ‘delegated functions and powers’ in local government (*see* chapter 3), JPA was generally identified to accord well with its mission, goals, objectives and service standards. However, it was indicated that JPA did not reveal other important performance of local government, because JPA has generally focused on the delegated functions and granted programmes by central government. Particularly, JPA does not include some important local priorities which are usually promised as mayors and governors’ election pledges. They are generally important policy issues in localities in that they might be made according to the need of local people based on economic and cultural diversity and be readily achieved by local government. A previous study by BAI and KAPAE (2007) also indicates the same.

A good example of this was found in both Daegu and Chungbuk where the development of economy (or business booming-up) was one of the principal objectives promised by their mayor and governor. Therefore, they have made much effort to invite investment and attract business companies in their regions²³⁴. However, performance and efforts regarding this was not sufficiently measured in JPA. A Daegu officer responsible for JPA said, “each local authority has its own performance direction, for example, our catchphrase is ‘colourful Daegu’ which expresses textile industry and our neighbour Busan has one as ‘Asian film Capital’, but achievements for those are hardly measured in JPA” (interview with Shin. J., 25/07/08). As a result, JPA did not provide

²³⁴ For example, since the new governor in 2006, the main mission of Chungbuk has been the improvement of economy as seen in their catchphrase ‘Economy Capital Chungbuk’. In fact, they invited a significant amount of investment (4,000 billion Korean Won which was about £2 billion in 2008) from 2006 to 2007,

tailored or sufficient performance information needed by local government so that local government depends on their own internal performance management systems to collect management information of local priorities.

In order to prevent data manipulation, JPA disclose all data and evidence put into VPS by local authorities to local authorities for cross checking and benchmarking (chapter 7). This seems very effective in practice. All interviewees said that data manipulation was more difficult, because an authority's certain set of data and evidence was investigated by neighbour authorities who did the same work in similar circumstances. However, a possibility of data manipulation was indicated in some PIs. Local authorities might omit some disadvantageous data for those PIs that needed a variety of data and evidence. In short, JPA appeared to have a strong method to prevent data manipulation, but there is a need to develop more robust PIs that are not easily manipulated.

Most targets in JPA were regarded by local authorities as being feasible and reasonably achievable. However, some PIs appeared to be unreachable by some local authorities due to their circumstances. For example, tourist attractions did not allow Daegu to achieve the targets of some PIs in the assessment of culture and tourism, such as PIs for 'forming tourist attractions' and 'increasing tourists'. This was because basic resources for tourism in Daegu were significantly less than other areas, such as Jeju Province and Seoul. Similarly, Chungbuk did not reach the target of a PI regarding facilities for domestic or sex violence victims, because those were built and managed by voluntary groups, such as religion foundations or charities, but there were no ones within its territory in 2006 and 2007. In sum, some PIs seem to be hardly achieved in some local authorities, not because of the lack of their efforts but because of their circumstances.

PIs were reported to be easily understandable to local authorities and final JPA ranking in classification between metropolitan cities and Provinces in each of nine assessments was also accepted as being reasonable by local government. The timeliness of JPA (annually assessing and publishing) was reported to be proper to show achievement and track progress in local authorities. However, the assessment period of JPA which was usually from January to April each year may need to be changed, because local authorities were reported to be usually busy starting a new year's work in that period.

According to interviewees, the incentive structure of JPA was relevant enough to stimulate organisations and their staff members to achieve continuous improvement. It was said that the extra funding was a stronger incentive for the local authorities that had weak financial resources: i.e. heavily depending on government grant rather than their own taxation. Awards for local officers were also identified as being strong enough to stimulate them and so more awards were being demanded by local authorities. In addition, the mechanism of ‘naming and shaming’ was working very effectively, according to interviewees, because mayors and governors directly elected by voters were very strongly concerned with the JPA results. In Korean local government system – to the strong mayor-council system (chapter 3), all significant success or failure is easily identified as the mayor’s or governor’s responsibility. As a result, much stronger direction to achieve better JPA results was usually flowing from them to frontline staff.

In conclusion, the framework of JPA was generally perceived by interviewees as being valid to assess the performance of local government and stimulate its improvement with a strong incentive system. However, they also indicated some concerns regarding the measurement of qualitative aspects of performance and local priorities.

3. The legitimacy of JPA

The assessment of local government by central government in terms of JPA was clearly accepted by interviewees as being constitutionally proper and legally legitimate. However, despite legal legitimacy, some interviewees indicated that local authorities were an autonomous political body elected by residents so that their autonomy should have been guaranteed to the maximum without such intervention of the centre as JPA. In short, JPA seemed to depend on legal legitimacy rather than recognition or whole-hearted consent by local officers. The resistance to JPA or to other kinds of central direction or control over local government appears to originate from the short history of local elections (chapter 3), and thus instead of a balance between autonomy and accountability to the centre, the preference for the former has emotionally spread in local authorities.

This affirmation of local autonomy was supported by the attitude of local government to JPA. Most interviewees regarded JPA as a useful mechanism for performance improvement, but more strongly as a control mechanism of local

government by central government. As a result, local officers stated that JPA should be a minimal framework of key indicators and further an officer, who was the representative of the Local Officer Union in Chungbuk insisted that JPA should be abolished as follows.

Local government should enjoy its autonomy for the provision of better services according to the need of local people rather than the direction of the centre. Irrespective of legal basis, I do not think JPA is legitimate in the era of local autonomy, because it enforces us to spend a lot of efforts and energy doing the same thing all over country...JPA is a centralist idea and so I think it should be gone (interview with Jeong, G., 23/07/08).

JPA results appeared to be politically clean, neutral and transparent, and there was no correlation between a governor or mayor's party and JPA findings. This was heavily dependent on the disclosure of all the data in VPS to all local authorities. Local government also believes that MOPAS (including the Committee for JPA and the JPA team) have expertise and skills to assess local government performance. However, most interviewees also indicated the need to improve their expertise and skills for two reasons. One was that most participants in the JPA team were from the theoretical world (e.g., professors and researchers) and thus local officers often needed to explain to it what tasks they were doing in reality during the assessment process of JPA. The other was that the members of the JPA team, which was organised as a task force each year, were often replaced so that they could rarely accumulate their experience or learning regarding practical assessment through JPA.

In addition, the contribution of the Committee for JPA was also reported to be not significant to the development of the JPA framework. A senior researcher in Krila who had been a member of the JPA team for several years observed that,

The Committee for JPA neither thoroughly reviews the JPA framework nor systematically consults with local authorities. Most PIs are developed as a similar application of those in the last year by MOPAS and other government departments with the help of Krila. The Committee for JPA merely provides some advice to MOPAS regarding this and formally authorises the JPA framework that was already made (interview with Park, H., 13/04/'08).

The CGA was similarly reported to lack expertise to undertake its task in relation to JPA: it collected policies and programmes to be assessed in JPA from government departments and then pass them to MOPAS or the Committee for JPA. For the development of the JPA framework into a more sophisticated measurement tool, a professional organisation would be a more suitable body to manage it rather than the combination of MOPAS, the CGA, the Committee for JPA and the JPA team, as a study by BAI and KAPAE (2007) argues.

Local authorities were reported to be annually consulted regarding the JPA framework and offered many workshops by MOPAS and other ministries. However, their opinions were not sufficiently applied to the next year's JPA. This was because the interest of central government was so strong on the one hand; and because the demand of each local authority was so different that it was unlikely to be equivalent to the uniformity of JPA on the other. According to interviewees in MOPAS and Krila, local authorities variously demanded different targets and PIs so that MOPAS was not able to accommodate all their opinions into the JPA framework. As a result, some subtle things among those demanded by locality were merely likely to be reflected in JPA, while most PIs and performance standards were stuck at the interest of the centre in the delivery of national priorities. However, a lack of the reflection of the opinions of local government in JPA may threaten its validity as well as legitimacy, because frontline situations tell a different from targets, PIs and standards of the JPA (*see* BAI, 2006).

In short, JPA looks open to the participation of local government in terms of consultation and workshops, but important things tend to be in practice developed and determined before consultation. Therefore, local authorities feel that they have not been involved in the development process of JPA, but merely informed. This leads to the lack of the ownership of JPA by local government. All interviewees (whether they worked for local or central government) pointed out that JPA was developed to meet the needs of central government rather than local government. They all agreed that JPA was principally developed to check how effectively it was implementing central government's policies and programmes and how efficiently it was spending money centrally funded. Therefore, it would be impossible to get a decent rating in JPA without following central government direction. As a result, JPA seems to have failed to give local government ownership in that it has been recognised by local government as an external regime. This seems to be heavily affected by the fact that the affairs or functions of local government are legally divided into two separate ones – inherent or delegated affairs (*see* chapter 3).

According to interviewees, although most staff in local government were attracted by JPA scores, the top management levels, such as mayors and governors and senior managers had most concerns about them (*see* BAI, 2006). Strong demand for better JPA results was consequently directed at managers by such politicians as mayors and governors. A Chungbuk director said, "Good JPA results are seen by residents as mayors or governors' achievement. So they tend to advertise those for and in the next election"

(interview with Kang, H., 23/07/08). Senior and middle level managers were also reported to be concerned with JPA results since obtaining good JPA scores was generally one of their tasks. However, frontline staff or lower-level officers appeared to be less interested in JPA.

JPA needs to be much more open to the public. It was reported that other stakeholders of local government, such as citizens or interest groups participated very little in the process of JPA. The JPA framework did not undergo a consultation process with them, and thus, except user satisfaction surveys, it did not have any proper method to reflect citizens' view on the performance of local government. The disconnection between citizens and JPA was seen in the remark of a director in MOPAS as follows.

JPA evaluates how local authorities are performing regarding national priorities, and so I think that the stakeholders around JPA are just central government departments and local authorities, although JPA could contribute to residents' satisfaction (interview with Choi. Y., 01/08/08).

In conclusion, the power of central government to manage the performance of local government has been legitimately accepted by local government as a proper exercise of constitutional powers. However, JPA needs to be more open to local government and citizens, encouraging their participation and reflecting their views. When JPA is shared throughout local government and different stakeholders, they can buy into it and so may operate more effectively. The expertise of MOPAS (and the Committee for JPA and JPA team) also needs to be improved for more accurate assessment of local government and development of the JPA framework, although JPA results are politically neutral.

4. The functionality of JPA

Most interviewees said that JPA was functional in that it helped local authorities improve performance in the areas covered by the JPA framework. Competition that resulted from league tables and incentives in JPA was reported to strongly stimulate them to improve performance. It was also reported that they often used the book of the Most Excellent Cases for their benchmarking. In short, JPA has stimulated local authorities to do things better and look at and learn from high-performing ones in terms of league tables, incentives and the provision of excellent cases.

This interview result may support the formal 2006 JPA result, which showed that local government generally improved and achieved good performance. Most of all,

targets in the assessments of ‘environment management’ (AE) and ‘security for life and property’ (AS) were well achieved by local authorities as seen in a press release by MOGAHA (a press release about the 2006 JPA result, 26/06/07: *see* table 29 in Appendix). Similarly, the individual assessment whose results were combined in JPA results also reported in 2007 that local authorities had continuously improved performance. For example, the results of two individual assessments, Local Finance Analysis (LFA) and the Assessment of Local government Innovation (ALI) showed the performance improvement of local authorities as seen in two press releases by MOGAHA (press releases about the 2006 LFA, 27/12/07 and the 2006 ALI 28/12/07: *see* tables 30 and 31 in Appendix).

According to interviewees, JPA appeared to have contributed to the enhancement of local government accountability to central government. Central government was said to sufficiently ensure that local government was delivering its priorities and meeting its policy and programme targets in terms of the JPA framework. This was because JPA basically enforce local authorities to meet national priorities or service standards nationally determined (chapter 7).

However, the JPA mechanism for the enhancement of local government accountability directly to citizens has not been operating well in practice. According to interviewees, most residents had little idea of JPA or JPA scores and thus put no specific demands regarding them on local authorities as is the same in a previous study on JPA by BAI and KAPAE (2007). Most local officers said that they had never heard people talking about JPA results formally or informally. It was also indicated that significant change in JPA results were often reported by local press, but there were not detailed reports of JPA results in general. The reason for residents’ no interest in JPA might result from difficulty of access to such information (BAI and KAPAE, 2007). Therefore, the example of Ontario in Canada is also likely to be effective in JPA as in CPA (*see* Wynnycky, 2006; chapter 6).

According to interviewees, JPA hardly influenced local elections. Local elections instead appeared to be influenced by other elements, such as central politics and peoples’ beliefs rather than JPA results. According to a study²³⁵ on the 2006 local election by Lee (2007), the performance of local government was not indicated as a

²³⁵ In this study, voters were composed of a majority of consistent voters (75%) and a minority of floating voters (25%). The former tended to support a certain party according to their political faith and party preference, while the latter changed their choice between elections (inter-election) or within a period of an election (intra-election).

factor that influenced floating voters' decisions, but economy and incumbency effect (Pedersen, 1978) were instead found. In addition, floating voters' impact on the real vote share of each party was limited to fewer than 4% in that election. As a result, JPA seems to have hardly influenced voters' choice in local elections.

Nevertheless, it was found that local authorities – exactly, governors and mayors – would still treat JPA results with very high priority. This was because they recognised that citizens might have heard what they were achieving and there was thus a 'possibility' of reflection of JPA scores to local elections (*see* AC, 2006a: para. 34; Tilbury, 2006: 56). Mayors and governors elected directly by citizens can consequently use good JPA results to enhance their political support, while their opponents can quote bad ones to blame incumbents. As a result, local authorities were reported to re-publish good or improved JPA results through press releases to local media and advertise those to the public: e.g., presence on their web sites and their own papers. It was also said that there were many formal and informal speeches about good JPA results by mayors or governors.

In sum, JPA has made local government performance more visible and available, but it has not necessarily increased its accountability directly to the public. JPA might instead contribute to the enhancement of its accountability to constituents in, at least, an indirect way. This is heavily strengthened by the Korean local government system with a model of 'strong mayors'.

The introduction of JPA appeared to have influenced local authorities in some aspects. For example, there is evidence of pressure to obtain better assessment results by local politicians such as mayors and governors as seen above. However, it was reported that councillors were not interested in JPA, because JPA results were not attributed to them and JPA generally involved 'delegated affairs', which were out of their jurisdiction (chapter 4). Interviewees in MOPAS indicated that it was natural for councils to show little interest in JPA. However, this may have disappointed constituents, because some of inherent affairs of local government, such as capacity or internal management were assessed in JPA on the one hand, and some of its own resources were also used for delegated affairs on the other hand.

According to interviewees, there was a managerial focus on achieving better JPA results in local government and a redistribution of managerial attention towards areas with low JPA scores. For example, there was a strong managerial direction regarding the improvement of JPA scores from the governor to managers in Chungbuk in 2007,

because their JPA results had been relatively poor from 2006 to 2007. In this sense, it was found that local government adopted some incentives in itself for the better JPA results. For example, both Daegu and Chungbuk offers an opportunity of business travels abroad to benchmark other countries' excellent cases to those who contributed to the achievement of good JPA results. In Chungbuk, those who contributed to good JPA results were given bonus points in their personnel appraisal, although this did not make a significant difference.

It was also reported that JPA was used not only for internal management within upper local authorities, but also for the assurance of accountability of lower-level authorities. Since a range of JPA PIs involves the performance of lower level authorities (*see* chapter 6), upper level authorities closely monitor it through many meetings, direct order and even audits and inspection.

It was reported that JPA PIs were generally used as part of those in local authorities' own management systems (e.g. BSC) and some local PIs were also used for obtaining better JPA scores. In addition, JPA was reported to help local government improve its own performance management: for instance, when BSC was widely introduced in local authorities by the Assessment Act in 2006, JPA helped them set targets and PIs as an example of performance measurement.

It appeared that JPA results were reflected in plans and budget of local authorities to redress weak points. It was said that for planning, local authorities usually looked at JPA results and benchmarked other authorities, for example, using the book of 'Excellent Cases'. In addition, interviewees said that there had been some (re) allocation of additional resources to service areas rated with low JPA scores. The additional resources were also often allocated for stimulating their lower level authorities to improve performance. However, most interviewees said that financial resources were not easily re-allocated in terms of JPA. This was because budget operated in politics and so strongly focused on elected people's interest, such as mayors, governors and councillors. Therefore, JPA has not significantly but slightly influenced budgeting in local government.

Interviewees indicated that JPA have had no significant impact on its organisational structure, such as restructuring, replacing man-power or cutting employees. In addition, no evidence was found that JPA results were strongly used in personnel policy, (e.g., personnel performance appraisals, promotion, wages, and training). This was because some important local priorities were not assessed in the JPA framework and some PIs

were not appropriate to show local government's efforts. It was also reported that it was difficult to distinguish who or what was responsible for JPA results, because they may have resulted from a range of different factors including the environment elements.

According to interviewees, good JPA results appeared to boost local officers' morale, but it just remained as their good feeling in a short term and so hardly played a role in motivating local officers for the improvement of organisational productivity.

JPA was also reported to have some influence on the introduction of creative activities and a momentum that moved local government into a learning organisation. However, this did not mean that JPA results were strongly used as a stimulus for learning and innovation. It was instead related to an individual assessment, 'the Assessment of Local Government Innovation' (ALI) which evaluated how strongly local authorities was innovating their work, process, behaviour, and culture and developing towards a learning organisation (chapter 7; MOGAHA, 2007a; b).

Similarly to the interview results in this thesis, previous studies on JPA also indicated that JPA results were not sufficiently reflected in local government to correct problems and improve performance (Kim and Park, 2003; Jo and Lee, 2005; BAI, 2006; BAI and KAPAE, 2007).

Interviewees perceived some perverse effects resulted from JPA, although those were not as much as beneficial effects. First, local officers often felt that JPA became an end itself, because of a heavy administrative burden for the preparation of data and evidence (goal displacement) (*see* chapter 2: AC, 1999a). Many local officers indicated that they were so distracted by keeping and collecting data for JPA that their time and energy were not used for service delivery but for internal administrative things. This became more serious when upper local authorities had to collect, integrate and keep data regarding services that lower-level authorities provided.

This was worsened by 'relative grading' in JPA (*see* Kim and Park, 2003; BAI, 2006; BAI and KAPAE, 2007). Although a local authority already achieved a certain level of a service that sufficiently met citizens' needs and demands, it will have to put more efforts to compete with other local authorities. An officer in Chungbuk said,

We must achieve targets much more than last year, because JPA adopts a relative grading system. Unless we do so, our JPA results should be at the bottom. So, we have to make more evidence and collect more data than last year (interview with Ahn, K., 22/07/'08).

Second, strong competition between local authorities according to the relative ranking of JPA may have caused provision distortion, because there was a possibility

for local authorities to put their resources beyond their needs in certain services in order to obtain better JPA results. As a result, other areas that were not measured in JPA could be given little attention or neglected. Extra funding to local authorities as a monetary incentive in JPA might have worsened provision distortion. In addition, it was also perceived that strong competition may have led to data manipulation as some examples of this were already identified above.

Third, provision or output distortion appeared to result from some PIs that were determined merely for central government intention or interest. This kind of distortion would be more problematic to local authorities, because those PIs were regarded just as a control method over them by central government. For example, the PI regarding 'national housing service' was likely to intervene in local government decision-making. It measured the number of local government's agreement on housing construction plans which was submitted by Korea national Housing Corporation²³⁶. Therefore, in order to obtain good grading, local authorities had to accept as many plans as possible. However, this made goal distortion in local authorities, because residents often dislike rental house building in their neighbourhood. Another example of provision distortion by JPA was found in the PI of the advertisement of the Hazard Analysis and Critical Control Points (HACCP) programme for food safety. The Korean Food and Drug Administration (KFDA) was fully responsible for HACCP, but it enforced local authorities to advertise the HACCP programme in terms of JPA. As a result, they had to spend much money to obtain good JPA results, although they had no responsibility for it.

It was however difficult to identify whether JPA led to 'threshold' and 'ratchet effect' in local authorities (*see* Chapter 2; Hood, 2006: 2007). This was mainly because the performance of each local authority was ranked in terms of relative comparison to other's performance.

In conclusion, JPA has positively functioned for performance improvement in local authorities and for their accountability enhancement to central government and at least indirectly to people. Some changes have happened in local authorities for better JPA results, such as in management attention, planning and budgeting. However, it has not been significantly used as a feedback tool on organisational structure, personnel policy and staff's morale and changing organisational culture, for example, towards a learning organisation. It has made some perverse effects, such as goal displacement and service/provision distort, controlling the autonomy of local government.

²³⁶ It is a public company under the control of the Ministry of Land, Transport and Marine affairs.

5. Conclusion – a comprehensive evaluation of JPA

A comprehensive conclusion of JPA can be made in terms of the synthesis of the analysis of the formal framework of JPA (chapter 7) and the case studies on JPA (above in chapter 8). As a conclusion of the examinations of formal and informal aspects of JPA, an evaluation is given of how well JPA is achieving its aims and objectives; how effectively MOPAS is operating with regard to CPA; and finally how appropriate JPA is to assess local government and improve its performance under Bouckaert's three dimensions of validity, legitimacy and functionality.

5.1. Regarding the aims and objectives of JPA

According to chapter 7, JPA has two principal aims: improving the performance of local government and enhancing its accountability. First, JPA helps local authorities implement policies and programmes more efficiently and improve the delivery of quality services more effectively to local people. In addition, JPA helps local authorities develop their capability and capacity which contribute to the delivery of better quality services. As seen in the case studies above, local authorities believe that JPA helps them improve performance in terms of identifying what to improve and providing a stimulus for continuous achievement by league tables, incentives and the provision of excellent cases. Therefore, it can be concluded that 'performance improvement' as a main aim of JPA has been successfully achieved. This can also be found in the formal JPA results as seen above and by previous studies.

This is attributable to the fact that mayors and governors have strongly demanded to obtain better JPA results and this strong managerial focus is even extended to upper-level authorities' close monitoring or managing the performance of lower-level authorities. Another element for the success of the JPA in improving local government performance is its balanced approach. JPA assesses a range of local government performance, such as input, process, output, user satisfaction and outcomes in a variety of public services and capacity (chapter 7). Therefore, obtaining better JPA results can mean performance improvement in local government and achievement of its organisational aims and purposes.

Second, JPA intends to ensure the accountability of local government to central government, in terms of performance measurement with a set of national priorities, and

to constituents, in terms of providing a 'scorecard' of local government performance and a league table for comparison to others. According to the case studies, this aim of JPA is also successfully achieved. Towards the centre, JPA shows what local authorities are achieving as regards government policies and programmes and how efficiently they are spending government grant. In addition, national priorities are more easily achieved over the country in terms of strong competition resulted from relative ranking in JPA. On the other hand, local authorities believe that the JPA mechanism for the improvement of their accountability directly to citizens has not been operating well in practice because of people's indifference to JPA. There is thus no input or feedback regarding JPA or JPA results from them and JPA results are not reflected in voters' choices in local elections (*see Lee, 2007*). However, local authorities still treat JPA results with very high priority because there is a 'possibility' for voters to reflect JPA scores to local elections (*see Tilbury, 2006: 56*). This tendency is accelerated by a Korean 'strong mayors' model, in which all achievement or failure in local authorities tends to be attributed to mayors and governors. In this sense, JPA contributes to the enhancement of local government accountability to voters in, at least, an indirect way.

In relation to what local government is held accountable for, JPA covers a range of local government performance, reflecting the various demands of different stakeholder. Although PIs in JPA do not sufficiently assess outcomes and impact of service, they show a large variety of performance ranging from input, process, output, to user satisfaction, outcomes and impacts. In short, JPA assess a broad range of performance in the public sector (*see chapter 2*).

In conclusion, it can be said that the two main aims of JPA have been successfully achieved. The reasons for this can be basically summarised in two: a balanced approach for performance measurement of local government performance which can show its performance comprehensively; and emphasising strong competition between local authorities in terms of relative ranking systems and the provision of league tables to the public.

5.2. Regarding MOPAS and JPA results

According to interviewees, JPA results are politically clean, neutral and transparent. This is heavily dependent on two facts. One is that JPA is in practice undertaken by the JPA team and its results are confirmed by the Committee for JPA (both institutions

consist mainly of non-governmental experts). The other is that all the data and evidence submitted by local authorities are fully disclosed to them via VPS.

Local authorities believe that MOPAS (the JPA team in practice) have enough expertise and skills to assess local government performance. However, they need to improve their expertise and skills. This is on one hand because most participants in the JPA team are professors and researchers, and thus often have little knowledge about reality. It is on the other hand because as a task force, frequent changing the members of the JPA team results in a lack of continuity and experience accumulation. In contrast, the CGA and the Committee for JPA does not significantly contribute to the development of JPA according to the case studies. This is because they are all committees and so merely give formal authorisation of the JPA framework rather than critical review.

On the other hand, although MOPAS has formal responsibility for the assessment of local government performance within the JPA framework, the roles of different institutions related to JPA (e.g., MOPAS, the CGA, the Committee for JPA and JPA team) seem complex and redundant and it is not clear how they are coordinating (chapter 7). As a result, a professional assessment organisation like the AC in England would be more suitable for the management of JPA rather than the present complex alliance (*see* BAI and KAPAE, 2007). This is because it can more systematically develop the JPA framework into a sophisticated measurement system and keep ‘continuity’ as seen in the example of the AC (chapter 6).

In conclusion, there are efforts to ensure political neutrality and expertise in the JPA framework. This depends of such institutions as the Committee for JPA and the JPA team. However, various bodies related to JPA seem redundant and might be an obstacle for keeping ‘continuity’ in conducting practical assessment. A professional performance measurement organisation might thus be effective in undertaking practical assessment and further developing more sophisticated performance measurement tools in government.

5.3. Regarding the validity, legitimacy and functionality of JPA

According to chapter 7 and 8, JPA is valid to measure the performance of local government over the country in a balanced approach with relatively low cost. Since JPA basically involves the area of ‘delegated functions and powers’ in local government (*see*

chapter 4), it accords well with its mission, goals, objectives and service standards within this range. Targets and standards in JPA are regarded as being feasible by local authorities and PIs are easily understandable to them. JPA ratings in each of nine assessments according to the types of local authorities are also accepted by them. The incentive structure of JPA stimulates local authorities and their staff members to achieve continuous improvement. A specific method of JPA to prevent data manipulation – the disclosure of all data and evidence via VPS strongly contributed to its validity (chapter 7).

However, there is scope to improve the validity of JPA. First, although it adopts user-satisfaction surveys and some PIs are qualitatively judged, the qualitative aspects of performance are unlikely to be sufficiently incorporated in JPA. This is because JPA only uses PIs for judgement, which tend to focus on input and output rather than outcomes and impact because of the availability of data collection. This problem is fuelled by the fact that there is no ‘adjusted PIs and cost’, which are adopted in CPA, to reflect deprivation or diversity between local authorities. Second, some PIs are not robust to show performance because of certain authorities’ circumstances. They also tend to focus on central government interest rather than the improvement of local government performance. Third, JPA does not reveal some important performance of local government, particularly in the area of its inherent functions: e.g., important local priorities promised as mayors and governors’ election pledges. Therefore, JPA may not comprehensively show the important aspects of local government. Fourth, the time-interval of JPA – a year - is accepted as being proper to show achievement and track progress, but actual assessment period needs to be changed for local authorities to concentrate on their new programmes and work at the beginning of a new year.

In conclusion, chapter 7 and 8 make it possible to conclude that the JPA framework is valid to assess the performance of local government, but there is some scope for better assessment including developing proper PMs which can appropriately assess the qualitative aspects of performance. .

The legal legitimacy of JPA (by the Assessment Act) has been broadly conceded by local authorities, but JPA has not received their whole-hearted consent. This resistance to JPA appears to originate from the short history of local elections and the affirmation of local autonomy based on the experience of democratisation (chapter 3). In this sense, JPA is perceived by local authorities as a framework closer to control over them than help for performance, and thus their ownership of it is difficult to expect. They thus

believe that JPA should be a minimal framework of key indicators and further there are some radical voices insisting that it should be abolished.

Local authorities are usually consulted regarding the JPA framework and offered many workshops by central government, but their opinions are not sufficiently applied to the next year's JPA because of the necessity of a uniform framework for the delivery of national priorities. Therefore, local authorities feel that they have not been sufficiently involved in the development process of JPA, but merely informed. As a result, it is necessary that they participate in the JPA process and their opinions and views are strongly reflected in the JPA framework. This is because a lack of the reflection of local situation into the JPA framework may threaten its validity as well as legitimacy.

In local authorities, the top management levels, such as mayors and governors and senior managers are significantly interested in JPA results. This is principally because they tend to be attributed to the achievement of mayors or governors. Through management hierarchy and process, senior and middle level managers are motivated to demand improvement in JPA scores, but lower-level officers are less interested in JPA. As a result, frontline staff need to engage more positively with JPA for performance improvement. JPA also needs to be much more open to the public, because they are not consulted and rarely expected to participate in the process of JPA.

In conclusion, the legitimacy of JPA can be regarded to be relatively weak. Although JPA has been legitimately accepted by local authorities as a proper exercise of constitutional powers, it has not been given their emotional consent. As a result, the JPA framework needs to be closely related to local government, frontline officers and other stakeholders such as citizens and users.

JPA positively functions in local authorities so that it can be evaluated to achieve its two main aims as seen above. This is closely connected to strong input or feedback for good CPA result by mayors and governors. It also cascades to senior and middle managers as one of their main tasks. In addition, local government rewards local officers for good JPA results with its own incentives. In short, JPA has affected the internal management and management systems of local government for performance improvement. Second, JPA functions as a tool for upper-level authorities to ensure the accountability of lower-level authorities in their territory. Since a range of JPA PIs affect their performance, upper-level authorities more closely manage or direct them to obtaining good JPA results in terms of many meetings and even audits and inspection.

Third, JPA results are used for planning and budgeting at least to improve weak performance indicated by JPA and to benchmark the best practices of other local authorities.

On the other hand, JPA has had no significant impact on such organisational elements as structure and personnel in local authorities. This is mainly attributable to the fact that JPA does not show the whole performance of local government perfectly (e.g., some important local priorities) and JPA results can result from the environment rather than efforts. Officers' morale enhanced by good JPA results remains as good feeling and vanishes in a short time and is futile to improve the efficiency of local government. In addition, JPA does not automatically stimulate local government to move themselves into a learning organisation which can result in innovation or reform.

JPA have resulted in some perverse effects into local authorities. First, it leads to goal displacement because of its heavy administrative burden on them. This pathology is worsened by the relative ranking of JPA, because local authorities have to defeat other authorities rather than meet citizens' needs. Second, relative ranking also causes provision distortion because local authorities tend to put more resources than objectively required in certain services for better JPA results. Output or provision distortion may happen more frequently in those local authorities which are not abundant in financial resources. This kind of output/provision distortion is resented by local authorities as a control mechanism to constrain their autonomous goal setting and decision-making.

JPA does not cost much money in that it depends merely on PIs. However, given its heavy administrative burden on local authorities, its transaction cost that is not starkly exposed may be considerable.

It can be concluded that JPA has functions positively for the improvement of performance and accountability. It has also impacted on local authorities' internal management, planning and budgeting for, at least, better JPA results. However, significant changes by JPA in organisational structure, personnel policy and culture for learning organisations are not found. JPA needs to improve its framework to prevent perverse effects including goal displacement and output distortion.

5.4. Conclusion

Chapters 7 and 8 lead to the conclusion that JPA has been relatively successful in measuring and managing local government performance. This results mainly from the fact that JPA approaches measurement of local government performance in a balanced perspective which is found in such sophisticated general models as BSC and EFQM. JPA can thus reveal a range of performance needed by different stakeholders. Since JPA principally uses PIs relating basically to quantitative aspects of performance, qualitative aspects of local government performance are not sufficiently assessed. However, to some extent, user-satisfaction surveys and some PIs concerning quality make it possible to assess quantitative aspects of performance. As a result, JPA has contributed to the improvement of local government performance and accountability. However, JPA is not given full consent by local authorities due to Korea's limited history of local elections and experience of democratisation. The JPA framework does not sufficiently engage local authorities and other stakeholders such as citizens and users.

JPA can be placed in Bouckaert's 6th type of performance measurement systems, 'technical and pragmatic' as is the same as CPA (1993: 40; *see* chapter 3): relatively weak in legitimacy, but relatively strong in validity and functionality. As a result, the legitimacy of JPA strongly needs to be improved not only in intergovernmental relationship but also in the relations between local government and its environment and between its staff levels. In addition, more proper PMs need to be developed in order to assess qualitative aspects of performance and local priorities (for validity) and to decrease perverse effects such as a heavy administrative burden (for functionality).

The next chapter will be dedicated to the comparison between CPA in England and JPA in Korea. Based on the analysis of their formal frameworks (chapter 5 and 7) and the case studies in each country (chapter 6 and 8), it will be examined what the findings in this research mean in the perspective of performance measurement in the public sector and in the light of their peculiar characteristic – managing local government performance by central government. Their similarities and differences will be helpful to find lessons for each other.

Chapter 9. Anglo-Korean Comparisons and Lesson Drawing

As part of the comparative method outlined in chapter 1, this formal comparison of the two systems allows an initial assessment of variations in policy goals, powers and organisational arrangements. A fuller comparison is necessary to identify the functions that performance measurement performs in the two systems and also to identify the informal operation of the two systems and their impact on policy making and resource allocation. This chapter therefore examines why such peculiar performance measurement systems were similarly used in different countries; how successful they are in assessing and improving performance; how they are functioning in the levels of government; and to what extent they can draw lessons from one another.

1. Similar performance measurement systems in different countries

As seen in previous chapters, CPA and JPA are very similar performance measurement systems in that both are peculiarly used by central government as a tool of managing local government. In fact, such systems as CPA and JPA are not easily found in other OECD or Western countries, although they have broadly used performance measurement in the public sector (Game, 2006: 469; Wilson and Game, 2006: 372). This may be because such tools can conflict with the principle of local autonomy or value of local government as a democratic political body. Given that the UK and Korea are quite different countries particularly in relation to politico-administration systems and political culture, the common factors that have resulted in CPA and JPA might be generalised and applied to explain or anticipate similar measurement systems in other countries.

There are some commonalities between the UK and Korea. For example, recently but considerably, democracy has evolved and the economy has prospered in Korea, while the UK has significantly but historically enjoyed both of them (Ha, 2001). This is clearly seen in the fact that they are both members of the OECD. However, the UK seems quite different from Korea in a range of aspects from history and tradition to politics and culture. For example, the former has traditionally had minimal statism and the demands of civil society have been well reflected in public policies, based on the

Parliamentary system. By contrast, Korea is based on the Presidential system and it has had a strong state and its civil society has not been sufficiently developed²³⁷.

Along the line suggested by Hofstede (2001), the culture of the UK is quite different from that of Korea²³⁸. For example, the culture of individualism and risk-taking attitude has been wide spread in the UK, while collectivism and uncertainty-avoidance has been one of main cultural characteristics in Korea. There is a more significant difference of administrative culture between the UK and Korea. The former is the very country represented by the Anglo-Saxon notion of the 'public interest' while the latter is a country that can be categorised as being governed by law – so-called, *Rechtsstaat* (see Pierre, 1995: 8). According to Pollitt and Bouckaert (2004), the difference between the *Rechtsstaat* model and the 'public interest' model has an impact on public administration reform. For example, due to the process of law change, NPM-type reform may be slower and more difficult in *Rechtsstaat* states, such as France and Germany. On the other hand, focus on performance measurement are more strongly emphasized in states sharing the 'public interest' model, as the UK, USA, Canada and New Zealand (Pollitt and Bouckaert 2004: 53, 92).

As seen in chapter 5, based on the 'public interest' model, the UK has rapidly and strongly introduced NPM-type reform in order to improve performance or the delivery of quality services, such as PSA for central government and CPA for local government. This is also attributable to the UK Parliamentary system which gives a majority party or coalition of parties the majoritarian and centralised power to rule both government and Parliament. Therefore, reform has been rapidly and strongly initiated and executed by the Prime Minister with generally no Parliamentary approval or legislation which is necessarily important in *Rechtsstaat* model countries (see Pollitt and Bouckaert, 2004).

By contrary, the public administration of Korea is based on the strong *Rechtsstaat* model and characterised by the separation of power between the legislature, the executive and the judiciary following the USA presidential system. The structure and

²³⁷ According to its experience of a series of monarchy, militaristic colony, dictatorship and democracy over a hundred years, the mixture of such characteristics of culture has been found in Korea as Confucianism, collectivism, formalism, individualism, rationalism and democracy (Lee, 2002a). The Korean political culture displays distrust, hierarchy and coercion between the state and individuals, and trust, loyalty, equality and liberty between individuals (Helgesen, 1998: 253-258); and its administrative culture is characterised with hierarchy-orientation, familism, formalism, legal ritualism, bureaucracy, democracy, individualism, rationalism and sense of equality (Lee, 2002a).

²³⁸ As a general environmental element, culture has a strong influence on politic and public administration so that the different use or application of NPM or performance measurement in the public sector are frequently found or suggested (see Pollitt, 1987; Pollitt and Summa, 1997; Reichard, 1998; Pollitt and Bouckaert 2004; Pollitt 2006).

duty of central and even local government are in detail defined by law, and thus important policies or decisions in the public sector are usually agreed between the President and the National Assembly. As a result, the introduction of reform needs a new act legislated by the National Assembly and is thus often changed or delayed because of political disputes between parties (Ko, 2008).

Given that the UK and Korea have different administration systems with different cultures as seen above, the similarities in the introductory backgrounds of CPA and JPA can be regarded as being decisive factors that explain the reason why they have been applied in both countries. It seems that CPA and JPA share similarities in the backgrounds of their introductions. First, both CPA and JPA are deeply influenced by or directly based on the ideas of NPM, which has been readily accepted and broadly applied in both countries. The UK is one of the leading countries in which NPM-type reform has been applied to all the public sector (chapter 2) and Korea has also been very keen on NPM-type reform to improve performance especially since the economic crisis in 1997 (chapter 7). In fact, CPA and JPA are regarded as symbols which show both countries have been heavily influenced by NPM. The reason for intensive adoption of NPM-type reform in both countries can be briefly summarised as the necessity of government to respond to the change in the political, economic and social environment in which it has to spend public resources more efficiently and perform more accountably (chapter 2, 5 and 7).

Second, when it is remembered that CPA and JPA are unique performance measurement systems by which central government controls local government, strong traditions of centralism in both countries can be identified as another principal element in their introduction. As seen in chapter 4, there is a long tradition of centralism in both countries by comparison with other OECD countries so that local government is significantly directed and controlled by central government or national statutes. In addition, it also depends heavily on central government grant, which takes around two third of its revenue.

There were also some specific situations that were directly related to the introduction of CPA and JPA. First, CPA was devised to ensure local government accountability (DTLR, 2001: 40) at the same time when British government offered councils the wider power and functions of the community leader by the LGA 2000 (Bailey, 2004: 264) and more freedom and flexibility through the 2001 White Paper (DTLR, 2001). In Korea, when local government has since 1995 been built as an

politically-autonomous body in terms of local elections, central government needed a new mechanism to ensure its accountability, instead of previous wide and direct control (chapter 4). In short, central government had to accommodate a new mechanism for ensuring local government accountability as local government was given more power and freedom or autonomy. Such performance measurement systems as CPA and JPA are significantly different from traditional methods for central government to regulate local government directly. This is also in part because of the influence of NPM that has changed the relations between central and local government towards performance partnerships, incentives, negotiated measures and waivers, as Radin (2007: 373) points out. CPA and JPA are both tools for central government to ensure the accountability of local government, but very different from such previous tools as direct control and approval in advance, since they are used to regulate local government indirectly and *ex post facto*. CPA is thus referred to an embodiment of New Labour's 'carrots and sticks' approach to the reform of local government (Humphrey, 2002: 45; Wilson and Game, 2002: 164) and JPA in Korea can be seen as the same (Lee, 2001).

On a technical perspective, CPA was introduced as an integrated performance measurement system for councils which was intended to replace wide and uncoordinated PMs and measurement systems used previously by central government (DTLR, 2001: para 3.12-13). Most of all, CPA is path-dependent on BV since it directly replaced the BV regime which proved to be very inefficient (chapter 5). Similarly, a need for more sophisticated measurement tools of local government performance and of reduction of administrative burden on local government contributed to the advent of JPA (chapter 7). This was because a range of previous individual evaluations of local government merely concerned implementation results or input regarding government policies and programmes. JPA can show a more rounded picture of local government performance through a joint assessment of localities instead of a range of individual evaluations. In short, CPA and JPA were initiated by the need of more sophisticated performance measurement systems to assess local government performance more comprehensively.

In conclusion, four factors can be designated as the common causes that resulted in the introductions of CPA and JPA: the influence of NPM and strong centralism as two broad contextual elements; and the necessity for ensuring accountability in response to expanding local autonomy, and for more sophisticated measurement tools as two specific situations. These four commonalities might be expected to influence the

introduction of similar systems to CPA and JPA in other countries. For example, these systems are unlikely to be introduced in decentralised states including federal countries such as the USA, Canada and Australia, and Germany, because there might be severe resistance to this attempt by central or federal government. On the contrary, Japan, which is relatively centralised but recently tries to give localities more freedom, may need such a system (*see* KLAFIR, 2004). Within state governments in a federal government, similar systems can be applied to the relations between them and their municipalities (*see* Wynnycky, 2006).

In another sense, countries that intend to introduce similar systems can learn some lessons for success from the environmental conditions that resulted in CPA and JPA. For example, they need to accept performance measurement in the public sector and persuade the locality not to object to such measurement systems. This would possibly be interpreted adversely. For example, countries which try to introduce a similar system to CPA and JPA can be regarded as those that try to control local government (if they are not centralised countries); or improve local government performance while avoiding direct intervention in local autonomy (if they are centralised). In any case, these countries can balance the improvement of local government performance and the enhancement of its accountability to the centre. Therefore, such common politico-administrative contexts or environmental situations related to the introductions of CPA and JPA will help other countries identify the rationales for similar reform to CPA and JPA and the drivers of the process.

All the details discussed and analysed in the previous chapters that have resulted in the advents of CPA and JPA in both countries respectively are summarised in table 32 in Appendix.

2. Successful performance measurement systems in the public sector

As seen in chapter 2, there are criticisms, scepticism or objections regarding performance measurement in the area of government (Ammons 2002; Hatry, 2002; Bouckaert and Peters 2002; Talbot, 2005). They are principally related to the difference between the two sectors and the difficulties of performance measurement in the public sector, such as a deficiency of appropriate techniques or models, a lack of the proper use of measurement results, and a possibility of perverse effects (chapter 2 and 3). However, 'lesson drawing and knowledge transfer across sectors is likely to be useful and should

never be rejected on ideological grounds', as Lynn (2007: 16) argues. Therefore, chapter 4 shows how to overcome difficulties of performance measurement in the public sector and a range of models to be possibly used in it, such as IPOO, Benchmark, ISO, BSC and EFQM. An accumulation of historical experience and efforts to use performance measurement in government has also broadly presented a series of conditions of good performance measurement (chapter 3).

CPA and JPA have been devised in and for the public sector and share similar aims and purposes summarised under two principal headings: the improvement of local government performance and the enhancement of its accountability (chapter 5 and 6). In fact, these are also the most important aims of performance measurement in the public sector (chapter 2). CPA and JPA are expected to achieve their aims in terms of the provision of information to the public regarding how effectively local government is performing on government policies and programmes and developing capability and capacity; how efficiently it is spending public money; and how satisfied people are with services. The improvement of local government performance and enhancement of its accountability is very important in that it implements many government policies and programmes; spends much public money funded often by central government; and delivers services related to people's daily lives. In addition to these two primary aims, CPA and JPA have been used for other purposes. They are all summarised for comparison in table 33 in Appendix.

According to the case studies of CPA and JPA (chapter 6 and 8), there is some scope for the improvement and development of CPA and JPA, but their two main aims appear to be successfully achieved. First, local government believe that they are a helpful management tool for performance improvement. In terms of identifying what local government needs to improve and providing league tables, they play an important role of an external impetus for change and benchmarking. Second, CPA and JPA strongly contribute to the enhancement of local government accountability directly towards central government and at least indirectly towards the public. In terms of using them, central government sufficiently ensures that local government has to deliver national priorities and meet targets nationally determined. Although people tend to remain indifferent to CPA and JPA, both are still effective for ensuring local government accountability to them, because it recognises the possibility of voters' awareness of its scorecards and the proneness of punishment for poor-performing (Tilbury, 2006: 56; James and John, 2007: 567-569). In sum, the case studies show that

CPA and JPA are effectively conducted and positively functional for performance improvement and accountability assurance, although they assess local government which produces a broad range of public services with complex political effects which involve a wide range of stakeholders.

From an institutional perspective, as a performance measurement tool in government, the reason for the success of CPA and JPA is attributable to their balanced approach to performance, close connection to government policies and disclosure of assessment results to the public. Most of all, their validity and functionality is deeply dependent on their balanced approach to show local government performance in a rounded picture rather than just based on 'cost' so that they can reflect different stakeholders' views and opinions. A range of performance, ranging from input, process and output to satisfaction, outcomes and impact (even equity) is assessed in CPA and JPA, regarding different public services and capacity. (CPA even directly measures the efforts of local government for continuous improvement by DOT). In this sense, they can be said to borrow the idea of such generic models as BSC and EFQM from the private sector (chapter 2). The delivery of league tables to the public in CPA and JPA also strongly contributes to their functionality to improve the performance and accountability of local government. Competition, comparison and benchmarking between local authorities, which result from the provision of league tables to the public in CPA and JPA, can further facilitate their more efficient and effective achievement.

From a perspective of management, the achievement of the aims of CPA and JPA is attributed to their impact on the internal management of local government. According to case studies (chapter 6 and 8), there are strong demands for good assessment results by the top level management such as English councillors in the cabinet, Korean mayors and governors. This is because local politicians tend to use good assessment results in communication with voters and local-tax payers for gaining support in the following local election, while their opponents can quote poor results to blame incumbents. As a result, their strong interest in the results of CPA and JPA cascades into manager groups and affects both internal management and management systems in local government in practice (in Korea, they are used even for managing lower-level authority performance by upper-level authorities). In this sense, CPA and JPA are helpful to ensure internal accountability of management. In addition, they have influenced planning and budgeting in local government for better assessment results. Most significantly, the evidence that CPA and JPA have facilitated performance measurement has become

embedded in local government and so local officers have become familiar with PMs, which indicates that performance measurement is being absorbed into its organisational culture.

In sum, it can be clearly concluded that CPA and JPA, and performance measurement, more generally, can be successfully undertaken even in the public sector, where a range of stakeholders demand different performance. Local government is quite complex and thus the elements for the success of CPA and JPA are also expected to be easily applied to other public organisations including government departments. In fact, the approach of CPA has contributed to the other measurement tools, including the Current Capability Reviews of central government departments and NAO's reviews of regional development agencies (AC, 2006a: para. 36-37; Wilks, 2008: 133). In fact, the Current Capability Reviews (or Capability Reviews Programme), which was introduced in 2005 to assess central government department capability, is very similar to the methodology and process of CA in CPA excluding its fifth theme 'achievement' (Richards, 2008).

This finding is empirically likely to support the idea that performance measurement can and should be used in the public sector beyond the simple dichotomy between the two sectors (Alford and Baird, 1997; Mac Adam and Walker, 2003; Noordegraaf and Abma, 2003; Lynn, 2007). In other sense, this finding provides an answer to the criticism and objection to performance measurement in the public sector, given that those are closely related to a lack of proper models to assess performance in government and difficulties of undertaking assessment in practice.

3. Resolution of conflict, and cooperation for better service delivery between central and local government

Another important role of CPA and JPA is found in the relationship between central and local government. In unitary countries including the UK and Korea, the power and functions of local government are regarded as being derived or delegated from the state. The tranche of government grants local government spends also proves that national taxpayers are its other stakeholders (chapter 4). Therefore, it should be accountable to central government for its activities and spending as is applied to the principal-agent or stewardship model (so-called, 'vertical-upwards' accountability)

(Jones and Stewart, 1985; Broadbent, et al., 1996; Sullivan and Skelcher, 2002; Kelly, 2003). However, the accountability of local government to central government can make dormant conflict between them realised in practice when the latter tries to control the former directly and intervene into local autonomy (Radin, 2007). This is because local government also has its own democratic legitimacy and political authority from local elections (chapter 4).

CPA and JPA are methods for central government to ensure the accountability of local government. Therefore, they can be regarded as just another mechanism for control or intervention in local government created by central government and thus might conflict with local autonomy or its democratic value. For example, Wilson and Game (2006: 175) argue that CPA is centralist and interventionist regimes and Stewart (2003: 128) also indicates that judgements the elected council are substituted with those of auditors in CPA. In Korea, it is also observed that JPA may be used as another control mechanism of local government and thus threat local autonomy (Lee, 2001: 11; Lee, 2002b: 40; Choi, 2003: 16).

However, different from the traditional control mechanism of local government by central government, CPA and JPA are based on ‘performance’ and ‘performance measurement’ so that they can be more suitable for cooperation and resolution of latent political tension between them (chapter 4). CPA and JPA can be regarded as a cooperation mechanism by local government in that they can help local government achieve goals and deliver quality services for its different stakeholders. In addition, they are based on ‘shared priorities’ between central and local government: priorities and targets that are measured in CPA and JPA are shared between central and local government (chapter 5 and 7). For example, the DCLA and LGA have agreed on what priorities to be measured in CPA (AC, 2006d: para. 31). MOPAS (previously MOGAHA) also widely consulted local authorities regarding the priorities and methodology of JPA in 2004, following their serious resistance to JPA (Park and Lee, 2007). As a result, the priorities, services, and targets measured in CPA and JPA are some of the most important issues for local as well as central government. In addition, voters may use performance information of local government that CPA and JPA provide in the next election so that they can make democracy operate better in the local level.

In fact, the case studies (chapter 6 and 8) show that CPA and JPA are very functional in improving the performance of local government and enhancing its

accountability to central government and the public. In other words, to the extent that CPA and JPA are positively functional, it can be said that central and local government are cooperating each other in terms of both regimes in order to achieve their common aims regarding local government performance or services.

Cooperation for co-interest and easing conflict between central and local government are also related closely to the legitimacy of CPA and JPA as shown in the case studies (chapter 6 and 8). The more legitimate the frameworks of CPA and JPA are, the more local government can buy into them and have ownership of them. The case studies show the agreement of local government on the management of its performance by central government. This is more clearly identified in CPA in that the authority of central government to do so has been given whole-hearted consent by councillors and local officers. However, JPA has depended more heavily on legal legitimacy and stood on local officers' emotional resistance, which is attributable to the short experience of local elections so that it needs to obtain emotional consent from local government.

Participation of stakeholders in performance measurement is a key driver for the improvement of its legitimacy as Bouckaert observes (1993). However, their significant participation has not been found in CPA and JPA and thus both frameworks are placed on the 6th type in Bouckaert's cube (chapter 6 and 8). Therefore, local government and its frontline staff need to be more actively engaged with CPA and JPA. It also contributes to the improvement of validity of CPA and JPA to facilitate their participation and reflect their opinions in both frameworks and process. This is because their participation helps in making CPA and JPA more realistic and ground-rooted. In this sense, local government tends to accept as more legitimate those performance measurement systems that are seen more valid (chapter 6). As a result, in order to use CPA and JPA for cooperation and easing political tension between the centre and locality rather than control, there is a strong demand that their frameworks should be less centralist and more reflective of local priorities and circumstances as seen in the case studies (chapter 6 and 8) (*see* Wilson, 2004; Park and Jo, 2005).

In addition, another possibility is found that such performance measurement systems as CPA and JPA can balance inter-governmental relationship between accountability and autonomy. The measurement of outcomes can control local government less than the usual focus of audits and inspection on financial and legal accountability and traditional emphasis on compliance with law and spending mandates

through direct control and approval in advance (chapter 2 and 4). In other words, as long as local government satisfies the needs of local people and communities, central government can give it more freedom and flexibility regarding how to produce and deliver services. This is clearly perceived by a Devonian councillor in the cabinet as follows.

The only way of really relaxing central control is moving to outcomes because outcomes focus allows you to find different ways of getting there, so you have that flexibility...At the moment almost everything we can do would be done in much the same way by any political party. So why would you vote? (interview with Hennon, D., 11/03/08).

In this sense, performance measurement like CPA and JPA would be a more useful tool in inter-governmental relations for the balance between accountability and autonomy rather than detailed direction and advanced approval. CPA and JPA consequently need to focus more strongly on outcomes and impact rather than input, output and legal compliance with due process in order for local government to enjoy more freedom and flexibility for service delivery. At the same time, as CPA and JPA are becoming embedded in local government and local communities, traditional ‘*ex ant* input controls’ need to be abolished as such performance measurement (Bouckaert and Halligan, 2006: 456). This will reduce administrative burden on local and central government so that local government can enjoy autonomy widely and central government can fully focus on policy-making without cost of those.

In conclusion, although CPA and JPA are tools of central government, they can facilitate cooperation in inter-governmental relations, minimising the proneness of conflict with local autonomy. They can in detail contribute to it that relationship becomes more cooperative and more productive between central and local government, in terms of providing a stimulus for achieving such co-interest as improvement on the one hand; and of using the *ex post fact* assessment of their shared priorities on the other. As focus on outcomes are more emphasised in CPA and JPA, local government can enjoy more freedom and flexibility as regards how to deliver services. As long as outcomes are effectively delivered to people by local government, central government can also depend more confidently on performance measurement to improve its performance instead of detailed direct control and advanced approval, which can easily conflict with local autonomy. On the other hand, the information that CPA and JPA provide help central government make more realistic and evidence-based policies and programmes that are more suitable for solving social problems and meeting people’s needs. Local government also benefit from CPA and JPA: e.g., they can implement

government policies and programmes more freely in self-regulation and provide services, which are demanded by its residents, in its own circumstances.

In other words, the performance management of localities by central government can be used not only as a control method to ensure accountability but also as a useful tool of cooperation for such co-interest as improvement and achievement. This approach might less contradict or contravene the principle of local autonomy than traditional audits and inspection concerning legal accountability or direct control such as detailed direction and approval in advance. For more cooperation between central and local government, the participation of local government and its frontline officers necessarily has to be encouraged and facilitated in such measurement systems in CPA and JPA.

4. The growing necessity for professional expertise in performance assessors

The assessors of CPA and JPA are significantly different. CPA is conducted by the AC which is a politically independent body responsible for auditing and inspecting local government, while JPA is undertaken by MOPAS, a ministry of central government responsible for overall policies regarding local government. In relation to CPA and JPA, the AC and MOPAS need to meet two necessary conditions for valid assessment results – expertise and political independence without which their validity and legitimacy are fatally damaged (chapter 5 and 7). From an institutional perspective, CPA and JPA seem to meet these two necessities. The AC can independently decide and act from central and local government (Audit Commission Act 1998) and CPA results cannot be easily changed by ministers (LGA 2003). In addition, it has accumulated its expertise regarding performance measurement and evolved as a professional performance assessor, in terms of the continuous production of PIs and recent BV inspection (chapter 5). The independency of JPA results is also strongly guaranteed through two committees (the CGA and the Committee for JPA) that are independent of ministries regarding their activities and decisions. For the expertise of JPA, the Committee for JPA decides the JPA framework and the JPA team carries out the actual assessment. The members of both are almost non-governmental experts in measurement or public policy (chapter 7). The institutional characteristics of the assessors of CPA and JPA are summarised in table 34 in Appendix.

The case studies (chapter 6) show that CPA results have been politically clean and neutral and the AC has enough capacity and expertise to assess local government. ‘Continuity’ is found as being a very important factor for revealing real performance, preventing data manipulation and accumulating expertise and skills. However, the AC needs to establish a mechanism or process to resolve conflicts with local authorities regarding CPA results in order to obviate their legal challenge in the court, which might erode the validity of CPA and the AC’s authority for audits and inspection.

JPA results also prove politically clean, neutral and transparent (chapter 8). However, such assessment institutions as MOPAS, the CGA, the Committee for JPA and the JPA team need to be simplified, because their roles seem complex and redundant in operating JPA. In fact, who the decision makers are in JPA is not clear, while the AC is a sole decision maker in CPA. They also need to improve their expertise and skills because two committees merely give formal authorisation of the JPA framework rather than critical review and the JPA team lack continuity as seen in the case studies (chapter 8).

If it is re-thought that CPA and JPA are located in the middle of the centre and locality, the proneness of their assessment results to manipulation on purpose is very rare. This can be rationalised in two ways. On the one hand, since there is high political risk when they are manipulated, any central government is unlikely to try this for those localities that are governed by the same party as the nation’s ruling party. On the other, the success of such measurement systems is very important to central government since the performance improvement of local government is also its significant concern in order to deliver its policy aims. As a result, the political neutrality of assessment results is naturally expected to be secured by central government for itself.

In this sense, the expertise of assessment institutions should be more importantly emphasised. This is because it is not easy to develop valid measurement systems in the public sector, and actual assessment using those is also problematic because of the difficulty of data collection, quality assessment and finding real performance excluding gaming (chapter 2 and 3). Performance measurement systems in the public sector might thus fail to reveal real performance. If this occurs in CPA and JPA, it might be referred to central government’s distortion or manipulation of local government performance by mistake. In addition, the validity of CPA and JPA has a strong impact on their functionality and even legitimacy as seen in the case studies (chapter 5 and 7). In short, since CPA and JPA try to assess the whole performance of local government in a

balanced perspective, they need to be based on a wider volume of professional expertise to distinguish high-performing and poor-performing local authorities. As seen above, this is also important for developing more sophisticated measurement systems as well as preserving the ‘continuity’ of performance assessment.

As seen in chapters 5 and 6, successful developing and conducting such sophisticated measurement systems as CPA fully depends on the professional expertise of the AC which has been accumulated through its historical experience of performance measurement. In contrast, the fact that JPA is struggling with the assessment of qualitative performance aspects and suffering from the continuity of the members of the Committee for JPA and JPA team may be attributable to the lack of a fully responsible organisation with a broad range of professional expertise. As a result, a similar organisation to the AC would be recommended to manage the JPA framework for its systematic development into a sophisticated measurement system and forming ‘continuity’.

On the other hand, CPA results might be less used in central government than JPA results in that MOPAS is directly responsible for local government, while the AC is independent from central government. Therefore, the AC and English central government departments need to share their information and cooperate in using CPA results for the achievement of their organisational aims. For this reason, although a similar assessment to the AC is recommended in Korea, it is not considered that it has to be independent from central government as long as its assessment results are ensured to be politically neutral.

The importance of performance assessors or assessment institutions filled with professional expertise can be necessarily applied not only to such performance measurement systems as CPA and JPA that are placed between organisations, but also any kind of measurement systems within an organisation, whether they are used in the public or private sector.

5. Drawing lessons from methodological similarities and differences between CPA and JPA

CPA and JPA have a similar methodology. For example, they are both based on a balanced approach in which various aspects of performance and different stakeholders

are considered, and publish assessment results to the public. On the hand, there are also many differences between them, for example, PMs and final ranking. In order to allow one to learn from the other or show other organisations or countries a way to successful performance measurement, a comparison of their methodologies will focus on some main issues in the following, such as a balanced approach, PMs and data collection, ranking and incentives and finally feedback, perverse effects and cost.

5.1. A balanced and comprehensive approach to local government performance

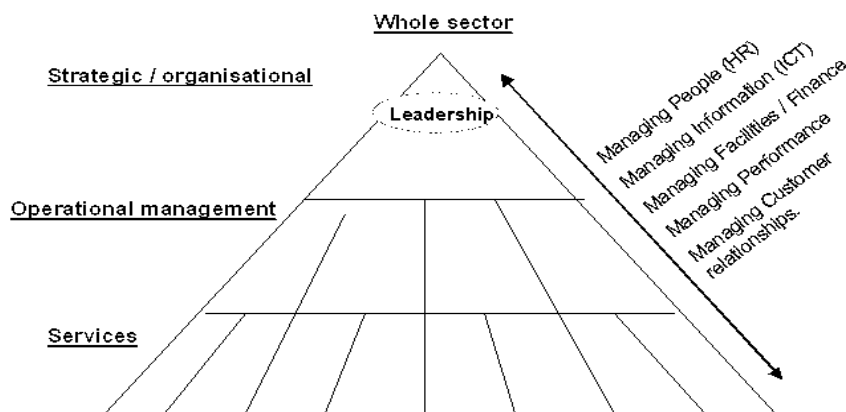
Both frameworks comprehensively assess the performance of local government in a balanced perspective (chapter 5 and 7). First, their comprehensive assessment means their coverage of all local authorities. CPA involves all English councils, but mainly focuses on single and upper tier authorities, whereas JPA merely concerns Korean upper-level authorities, but at least assesses lower-level authorities indirectly in part. Second, their comprehensive and balanced assessment means that they try to assess the whole activities or areas of local government. Therefore, their sub-assessments cover capability and capacity (CA and UOR in CPA; ALA in JPA) as well as public services (SA in CPA; seven assessment in AA in JPA and ANT). Their assessment of capability and capacity is a distinctive development in comparison to previous PMs or management systems. In fact, capability and capacity are organisational performances that fundamentally affect performance improvement and even long-term survival (*see* Selznick, 1957; Carmeli, 2006). Third, their balanced approach is allowed to assess different aspects of local government performance ranging from input, process and output to satisfaction, outcomes, impact and even equity, which are differently demanded by a variety of stakeholders. In other words, a range of performance is identified in CPA and JPA. The views of different stakeholders on local government performance are consequently reflected in both frameworks. For example, CA and UOR in CPA, and ALA in JPA take a community perspective (or voters' perspective), and SA in CPA and most JPA sub-assessments focus more on service users or clients. Both also assess performance in a long term view in terms of assessing outcomes and long term strategies and plans.

In short, in terms of the comprehensive and balanced approach, they can more appropriately assess a range of performance of local government, which is, as a democratic body, operating within different stakeholders, and as a complex public organisation, delivering a variety of services. For this reason, they can be evaluated as a

more advanced or even *state of the art* measurement tools in the public sector (chapter 5 and 7). The approach of CPA and JPA can also be said to be influenced by the latest generic performance measurement models in the private sector, such as BSC or EFQM rather than the model of three Es or IPOO (chapter 3). However, for more comprehensive assessment, both frameworks need to reflect local priorities and circumstances more strongly as seen in the case studies (chapter 6 and 8).

On the other hand, their different standpoints as to the aspects of local government performance can provide lessons for each. First, they focus on different elements of capability and capacity respectively. According to DCLG (2006b: 1; ODPM, 2003b: 7-8), capability refers to ‘political and managerial leadership’²³⁹ to hold a shared vision and motivate staff members, while capacity involves political and managerial ‘skills and processes’²⁴⁰ to deliver against agendas or plans (figure 9-1).

Figure 9-1. the levels of capacity



Source: (ODPM, 2003b: 9)

The assessment of capability and capacity in CPA mainly relates to community leadership, political and managerial leadership, strategies, performance management and decision making in CA and a range of aspects of financial management in UOR. As seen in chapter 5, CPA can be strongly advantageous in showing performance in terms of the assessment of leadership, because it is not a simple element, but can affect all aspects and functions of organisations, including their performance, development and even survival (Kotter and Lawrence, 1974; Carmeli, 2006; Leach and Lowndes, 2007).

²³⁹ Since capacity can be recognised as having several levels, capability can be included in the level of strategic/organisational capacity related closely to leadership.

²⁴⁰ It involves six key areas of organisational operation: finance; systems and processes (e.g. working/job design, communication, decision-making and reward systems); people/human resources; skills (e.g. management skills and IT); knowledge; and behaviour (ODPM, 2003b:7-8). Thus, capacity is generally involved with professionals and mid-level managers, while capability is related to senior and or top level managers.

However, CPA may need to focus on such capacities as organisational structure, regulation reform, innovation and learning, and human and IT resources that are deeply dealt with in JPA (chapter 7).

On the other hand, JPA strongly concerns such aspects of capacity as organisational structure management, human resources, government archives/records management, regulation reform, innovation and learning, e-government at the local level and local finance management. As seen in chapter 6, the tendency to expansion of government officials and organisations (the Parkinson's Law) might be controlled in terms of JPA. Most of all, the assessment of learning and innovation is one of the strongest points of JPA, because they are crucial organisational elements for growth and long term survival as well as performance improvement in any organisation (Argyris and Schon, 1978; Senge, 1990; Kaplan and Norton, 1992). However, JPA may need to learn CPA regarding the assessment of leadership, partnership, performance management and decision-making. Their different focus on capability and capacity of local government is summarised in table 35 in Appendix.

Second, CPA has a specific sub-assessment, DOT of the progress and development of local government performance and so strongly stimulates local authorities to improve continuously. On the other hand, ANT in JPA is an intensive assessment of how local government is achieving or delivering two or three national-prioritised services that has strongly created social attention and influenced people's daily lives during the year. As a result, JPA can adopt DOT from CPA to encourage local government for continuous improvement, while CPA can use the idea of ANT in JPA to pressure local government to produce services or implement newly-introduced policies rapidly and efficiently.

In addition, different assessment scopes between SA in CPA and seven service assessments in AA in CPA can also be used to improve the frameworks of CPA and JPA (table 36 in Appendix).

5.2. Different performance measures, data collection, ranking and incentives

A distinctive difference between the framework of CPA and JPA is found in their PMs. In addition to PIs, CPA broadly adopts qualitative PMs such as KLOE to measure performance and employs a best fit model to grade performance in its sub-assessments: e.g., CA, UOR, DOT and SAs for children service and social service (chapter 5). Such qualitative PMs in CPA can assess the performance of local government more

accurately and comprehensively, but have some disadvantages, such as time/cost-consumption. They may also be vulnerable in relation to ‘objectivity’ or ‘consistency’ (Cutler and Waine, 2003: 126; Kelly, 2003: 463), but the case studies clearly show that qualitative measures such as KLOE are sufficiently objective and valid to assess performance (chapter 6).

By contrast, JPA merely employs PIs as PMs, although some PIs are graded by the qualitative judgement or decisions of the JPA team. Some PIs in JPA can show the qualitative aspects of performance, for example, survey results of user satisfaction and PIs assessing outcomes and impact; and plans and bylaws (chapter 7). However, since PIs are generally based on statistical data, the qualitative aspects of performance may not be easily assessed by PIs, although they consume less time and money. According to the case studies (chapter 8), local government believes that qualitative PMs are necessary to show its performance more accurately in JPA. Those in CPA might give a possible answer to this.

Both CPA and JPA use self-assessment in terms of which local government can review and manage its performance (chapter 5 and 7). CPA depends more strongly on self-assessment due to its use of qualitative PMs and thus councils are needed to assess and score themselves rigorously. However, self-assessment does not affect final grading in JPA and thus tends to be submitted in a relatively concise form. Self-assessment may reduce perverse effects because it can be regarded as a ‘bottom-up approach’ (chapter 2) and can help particularly the AC complete its assessment work at a lower cost and in an easier way. Although a risk is often indicated that self-assessment may not assess real performance but the presentation of performance, the case studies show that it is thoroughly reviewed with evidence in CPA (chapter 6).

CPA and JPA both collect a variety of data and evidence, such as statistics, document, plans, budget reports, and inspection and audit reports. They also collect data about user satisfaction through surveys. Both are basically desk assessments, so that most data and evidence are submitted, for example, electronically by local authorities. However, since CA in CPA is carried out through on-site assessment, data and evidence are often collect in terms of visits and interviews. A significant difference regarding data collection and verification is found in the openness of VPS in JPA, which is a computer system for data collection (chapter 7). All the data and evidence put or collected in VPS are disclosed to all local authorities to verify them and stimulate benchmarking.

There is a significant difference in grading and categorisation between CPA and JPA. CPA grades local authorities in terms of absolute standards, while JPA relatively ranks them except in ANT. Absolute grading in CPA encourages councils to reach certain desirable levels of performance or star category, but 4 star councils may not be stimulated. Absolute standards are needed to be regularly changes because councils can reach high grading according to repetitive assessments. On the other hand, Korean local authorities have to compete with each other more strongly in order to get better JPA results, because even those that have met the standard of a certain service can be 'shamed'. CPA distinctively uses 'composite star rating' through the combination of sub-assessment results, while JPA merely produces each result of nine assessments respectively. As seen in chapters 2 and 5, the composite star rating of CPA may helpful for people's understanding how councils are performing and achieving, but may be criticised for its complex methods to produce and opacity or over-simplicity of the whole performance (Jacobs and Goddard, 2007).

There is a big gap or difference of the socio-economic environment between local authorities, which may affect their performance. CPA and JPA consequently have mechanisms to identify real achievement and efforts of local government in consideration of this gap. In SA in CPA, some PIs are adjusted according to local deprivation, and cost indicators also reflect different areas (AC, 2007c: para. 13 and 42-60) and DOT is based on each council's local circumstances. On the other hand, in JPA, local authorities are differently categorised in the two groups of metropolitan cities and rural Provinces, and so compete only within the same group. However, according to the case studies (chapter 6 and 8), local authorities in both countries demand that CPA and JPA need to reflect this difference of socio-economic circumstances more accurately, and thus each frameworks might learn from each other.

CPA and JPA have incentive mechanisms to encourage local authorities to improve performance and develop themselves continuously (chapter 5 and 7). Non-monetary incentives, such as soft touches in inspections and freedoms from the regulation of the centre are adopted in CPA, while a monetary incentive, such as extra funding is offered to local government and local officers are awarded according to JPA results. According to the case studies (chapter 6 and 8), incentives in CPA are not sufficient to encourage councils and thus seem to be reinforced, for example, in terms of using such incentives as used in JPA which prove to be effective in practice.

Although it is not a direct incentive, a mechanism known as ‘naming and shaming’ is working in CPA and JPA. League tables that they produce might be ‘powerful incentives that steer practitioners towards focusing on improving their ranking’, as Kelly (2003: 469) argues. According to the case studies (chapter 6 and 8), they operate well, because local authorities naturally do their best in order to be ranked at a high performing category or not to be graded as poor performers. In addition, since CPA results are used as evidence for central government’s formal intervention in councils according to the LGA 1999, they have to improve performance or obtain good CPA results for, at least, the avoidance of such intervention. For this reason, CPA is often regarded by councils as ‘a very powerful stick’ (Sullivan and Gillanders, 2005).

5.3. Feedback for improvement, perverse effects and cost

Performance information produced by CPA and JPA should be used to improve performance and achieve better service delivery (*see* Palmer, 1993). As Senge (1990: 92) argues, feedback loops are highly important for the improvement of performance and even survival in any organisations. As Cunningham and Harris (2005: 15) argue, it is essential to make a communication and integration of performance information with strategic planning and management. In a formal framework, CPA and JPA can annually provide central and local government with helpful feedback or performance information for their plans and budgets. Local authorities can also use CPA and JPA as their own performance measurement systems. The results of CPA and JPA allow them to compare performance and promote benchmark between each other. The book of ‘Excellent Cases’ in JPA seems to be particularly useful for benchmark. Meanwhile, central government can also use CPA and JPA results to correct policies/programmes and make new ones, since they include information about the implementation of those, in practice and in the front line.

According to the case studies (chapter 6 and 8), CPA and JPA place managerial attention on performance improvement, particularly in those areas assessed with low scores, and thus tend to be used as a channel to secure internal accountability within local government. Even in Korea JPA results are often used for upper-level authorities to manage lower-level authorities. CPA and JPA also influenced planning and budgeting in local authorities for better assessment results and performance improvement. This is usually related to improving weak performance indicated by CPA and JPA and to benchmarking the best practices of other local authorities. In addition,

techniques and skills in CPA and JPA, including PIs, targets and standards are often used for local authorities to operate their own performance management systems. However, CPA and JPA have hardly influenced other organisational elements in local authorities such as structure and personnel policy.

Both CPA and JPA results in some perverse consequences such as threshold effect, provision distortion and goal displacement, although these do not exceed their functionality (chapter 2, 6 and 8). First, they result from their characteristics, ‘target’ and ‘ranking’. As Hood (2007) points out, target systems in both frameworks are vulnerable to threshold effect²⁴¹ and their ranking systems produce output distortions. However, ratchet effect is not found because targets are determined not by local government but externally by central government. Heavy administrative burden on local authorities for preparing data, self-assessment and evidence in CPA and JPA also results in goal displacement as well as transaction cost. Most of all, threshold effect and output/provision distortion is more significantly found in CPA according to its absolute grading, while relative ranking in JPA strongly leads local authorities to goal displacement in order to defeat other authorities. The output/provision distortion and goal displacement can be dysfunctional to local autonomy to the extent that they constrain the autonomous goal setting and decision-making of local government. As a result, communication between the centre and locality and the active participation of local authorities in CPA and JPA would be useful to reduce such perverse effects as seen above.

Cost of performance measurement is another important issue as seen in chapter 2. Chapter 5 shows that cost of CPA is too high, which results from the fact that it employs a range of qualitative PMs. According to the case studies (chapter 6), councils are suspicious of ‘the cost-effectiveness of the CPA framework’. As a result, the decrease of the cost is an important problem in CPA (Wilson and Game, 2006: 168; Martin, 2004: 4). On the other hand, this is not an important issue in JPA in that using PIs does not incur much expense. However, JPA also need to lower its transaction cost resulting from heavy administrative burden on local authorities.

Some details regarding the methodological characteristics of CPA and JPA are summarised in table 9-1 below.

²⁴¹ It was not found that JPA caused threshold effect in the case studies in Korea, because of its relative ranking (chapter 8).

Table 9-1. The comparison of frameworks between CPA and JPA

	CPA in England	JPA in Korea
Assessment objects	All local authorities and fire service authority, but CPA mainly concerns 150 single tier and county councils.	16 metropolitan cities and province, but many PIs involve the performance of their lower authorities totalled to 234.
Sub-assessments/or Assessment sections	<ul style="list-style-type: none"> • CA concerning capability or capacity • UOR concerning finance management • SA concerning main local services such as education, social service, environment, housing, culture and benefit • DOT assessing progress and improvement <p>*the SA of such services as education, and social service are undertaken by Ofsted and the CSCI.</p>	<ul style="list-style-type: none"> • ALA in AA involving capability and capacity including finance. • Other 7 assessments in AA concerning a range of activities: e.g. economic development, environment, culture and tourism, social service and health, etc. • ANT assessing two or three important policies and programmes in the year. <p>*10 individual assessments by other central government departments are integrated in each of 8 sub-assessments in AA.</p>
PMs and the way of assessment	<ul style="list-style-type: none"> • A diverse range of PIs • Qualitative PMs such as KLOE and best fit models in CA, UOR, DOT; and SAs by Ofsted and the CSCI. • User satisfaction surveys • based on self-assessment and a site-visit, except SAs of environment, housing and culture • CA is undertaken as an in-depth fieldwork 	<ul style="list-style-type: none"> • A wide variety of PIs • No qualitative measures, but the scores of some PIs are decided by qualitative decision • User satisfactions surveys • submission of self-assessment by local government, but it is not used in grading and ranking
Data and evidence collection	<ul style="list-style-type: none"> • A wide variety of data and evidence is collected, such as plans, statistics, inspect results, audit reports and central government documents. • Collected from local as well as central government and other inspectorates 	<ul style="list-style-type: none"> • A broad range of data and evidence is collected, such as statistics, plans, budget books and implantation reports, collected from mainly local government but often from central government to verify submitted data. • All data and evidence in VPS are disclosed to all local authorities.
Grading or ranking	<ul style="list-style-type: none"> • Using absolute standards to make final grading. • Reflecting diversities and deprivation through the adjustment of cost and standards • One composite star rating through the mixture of the results of CA, SA and UOR. 	<ul style="list-style-type: none"> • Using relative standards to make final grading in AA, but absolute standards in ANT. • Reflecting diversities and deprivation through grouping between metropolitan cities and province areas. • Individual grading in each of 9 assessments.
Cost	Very high	Very low
incentives	<ul style="list-style-type: none"> • Non-monetary incentives, such as soft touches in inspections and direction • CPA results can place poor performing councils under the intervention of the centre • The mechanism of naming and shaming 	<ul style="list-style-type: none"> • Monetary incentives, such as extra funding to local government • Awards for local officers • No negative incentives • The mechanism of naming and shaming

In sum, CPA and JPA are both advanced performance measurement systems to show a range of local government performance, based on a balanced perspective, and their assessment results are functionally used for performance improvement by local government. However, they need methodological improvement in their weak points which include not incorporating local priorities and introducing perverse effects (or high cost in CPA). Some methodological differences between them can also be used for the improvement of their frameworks. Some ideas for this will be suggested in the next chapter.

Chapter 10. Conclusion

1. Central management of local performance

Since the 1980s, there has been extensive reform in the area of governance and public management across the OECD countries (Bouckaert 1996b; Pollitt and Bouckaert, 2000; 2004; Toonen, 2007). It has been mainly initiated by socio-economic changes, such as global economic and demographic changes, and deeply influenced by the new management idea of NPM. As a result, performance measurement or management, which is a central component of the reforms associated with NPM, has been vigorously introduced and universally used in the public sector as a principal tool for making savings in public expenditure; improving quality of public services; making public policies more effective; and finally enhancing the accountability of government.

In this context, both the UK government since the Thatcher government in 1979 and Korean government since the exchange crisis in 1997 have been keen on NPM-type reform and the introduction of performance measurement into the public sector. Both governments' interest in the improvement of performance and accountability was not limited to central government but applied to all public sector organisations. Most distinctively, both countries introduced performance measurement systems for the performance improvement of local government - CPA in England and JPA in Korea by which central government assesses the performance of local government. Comparative research shows that both countries share commonalities of environmental elements and specific conditions related to the introduction of both tools although they are generally regarded as being different countries – enthusiasm for NPM and strong centralism as broad contextual elements and the necessity for ensuring accountability in response to expanding local autonomy and for more sophisticated measurement tools as two specific situations.

In addition to the question about why they were introduced, a more fundamental question arises about how well CPA and JPA have been working 'in the public sector'. This is because there has been a range of arguments and discussion as regards: for example, whether performance measurement is possible and desirable in the public sector which is quite different from the private sector; what models or techniques can be

used to measure the performance of public organisations more accurately; and how perverse effects can be prevented (chapter 2 and 3).

Comparative research in this thesis clearly concludes that tools and principles, which have been developed in the public sector, have been creatively adapted to work in the public sector. The tools and principles examined in this research have become relatively sophisticated and have become embedded in administrative practice in both countries. This comparative research finds that the performance management systems have registered a significant degree of success in improving efficiency and enhancing accountability whilst earning a good degree of support from practitioners, politicians and the public. It has attributed the main reasons for this success to a balanced approach to measuring performance, which incorporates the various demands of different stakeholders, on the one hand; and to strong demands for improvement by top management levels and changes in management focus, which mainly results from competition, comparison and benchmarking in terms of publishing league tables to the public, on the other hand. As a result, despite the criticism or objection regarding performance measurement in government, it can be broadly and successfully applied in the public sector and would probably survive future reform moves as a principal tool for performance improvement and accountability enhancement.

Another key question about CPA and JPA arises in relation to the legitimacy of central government to manage local performance. A problematic aspect of both regimes is that they operate across levels of government and have therefore to be adapted to a series of complex tensions. The three areas of tension which have impacted on the two regimes are first, that there are two competing sources of political authority in that local government has its own processes of electoral legitimacy and political oversight from elected councillors. Comparative research finds that this potentially destructive issue can be reconciled within the two systems through political compromise at the local level combined with central sensitivity to local variations which have been recognised and incorporated into the management tools and the way in which results have been used. The second area of tension lies in the need to sustain coherent corporate management systems within each local authority with a series of service or functional demands from the centre. This research finds that the risk of fragmenting local management has been dealt with by the comprehensive nature of both frameworks and their ability to treat each local authority 'in the round'. The third tension lies in the inherent suspicion felt by nominally autonomous local politicians and managers at the imposition of central

control from above. This research finds that the creation of jointly devised and agreed management tools has helped to alleviate this tension and further the focus on outcomes can facilitate cooperation in inter-governmental relations.

This research has also paid attention to the key role of the AC in the UK which has developed a culture and reputation for impartial, professional and objective performance measurement which avoids political partisanship. Most of all, this thesis has found the vitality of expertise in performance measurement in the public sector and the importance of 'continuity' which helps in revealing real performance, preventing gaming and accumulating expertise and skills. The emphasis on expertise and continuity can be applied to any kind of performance measurement across the two sectors.

The relative success of performance measurement in the two systems can be attributed to several different factors. Among those, most importantly revealed by this comparative research are:

1. the commonly experienced pressure from the public for greater efficiency;
2. the common political imperative for better service provision or delivery to meet public goals;
3. the wider acceptance among professional managers of the utility of learning from private sector/business experience;
4. a tradition of central control combined with a realistic recognition that the power and budget are fundamentally derived from the centre;
5. the appropriate designing of performance measurement systems which incorporates a variety of demands by different stakeholders;
6. the strong interest of the top management levels in local government such as councillors in the cabinet and directly elected mayors and governors; and
7. the internalisation of performance measurement into organisational culture.

The thesis has also sought to place these performance tools and principles in an historical context. It has chronicled the evolution of the two systems and noted the changes and improvements at each stage. On the whole a positive learning process has been observed in which incremental improvements have been achieved. One optimistic dimension is the way in which acceptance of the merits of performance management in central and local government has provided enough confidence to allow decentralisation of the control system itself. If, as seems possible with the most recent changes, local

government can ‘take ownership’ of performance tools and outcomes then there are prospects for a more productive dialogue between the two levels in ways that increase both efficiency and accountability.

The positive assessment of CPA and JPA reported in this thesis does, of course, recognise that there are defects and areas where improvement can and should be put in place. The weaknesses most significantly include a lack of robust legitimacy, which can erode validity and functionality and even generate political opposition.

As improvements are evaluated, it is the contention of this thesis that each country can learn from its own experience and equally, that each country can learn from the experience of the other. This aspect of short and long term learning is explored later in the conclusion.

2. Distinctive contribution to knowledge and review of the research

This thesis undertakes a detailed examination of the implementation of performance management models in the public sector and therefore allows a deeper understanding at scholarly and practitioner levels of this important element in contemporary public management. In addition to the provision of practical help for developing CPA and JPA, this contribution to knowledge takes place in the three settings of evaluation of policy instruments, comparison between countries and central-local relations (or multi-level governance).

As an exercise in the detailed evaluation of policy instruments, the analysis of the design, operation and effect of CPA and JPA in the UK and Korea provides insight into the successes and failures of these centrally important policy instruments and more generally of performance measurement in the public sector. The case studies and empirical grounding of the evaluations provides one of the first scholarly appreciations of these sophisticated performance management tools and provides a foundation for understanding and for later studies.

The comparative approach is valuable and distinctive. As is the aim with most comparative work, it provides reference points by which to evaluate the two regimes, it points up areas of achievement and under-performance, and permits insight into the motives for the choice and design of the policy tools. Commonalities and differences between two frameworks open the door for policy-transfer to even other countries. The

employment of original documentation and interviews in English and Korean provides an authoritative evaluation.

As a third area of contribution, this study grapples with the challenges of implementing performance management across levels of government where neither organisational hierarchies nor political cooperation can be relied on in order to ensure compliance. This aspect of central-local relations in the two countries takes on particular importance in an era increasingly marked by 'multi-level governance' in which negotiated agreements and network cooperation become standard administrative processes. It is argued that the analysis advanced here of the relative success of these policy instruments provides an original contribution to our understanding of how performance management can work across levels of governance.

This research began with the purposes of providing useful knowledge and information at both the theoretical and practical levels regarding performance measurement in the public sector in terms of investigating CPA and JPA which are very peculiar measurement systems standing at the middle of central and local government.

Chapter 2 aimed to find what performance measurement is in the public sector and how different it is from that in the private sector. Through the review of various literatures, it found two principal aims of performance measurement in government and the possibility to apply a range of measurement tools used in the private sector to the opposite sector. In a similar sense, chapter 3 examined how to develop useful performance measurement systems in the public sector with a review of private sector measurement models used broadly in public organisations. This chapter analysed and synthesised conditions for good performance measurement in government in order to define models and establish criteria to be utilised in the empirical chapters.

Chapter 4 briefly reviewed the shape and function of local government in each country and the intergovernmental relations including its three directions of accountability. This chapter showed that both countries were so centralised in IGR, and CPA and JPA were a new sort of intergovernmental tools influenced by NPM, which can relieve their political tensions and enhance local government accountability more effectively. This chapter provided a basis to understanding their introduction.

Chapters 5 and 6 were dedicated to the analysis of the formal CPA framework and experience in practice in England. Chapter 5 showed that CPA was path-dependent on CCT and BV to improve local government performance, in response to changes in the environment including the change of local government policy by the New Labour in

1997. Its two main aims and the expertise and political neutrality of the AC were also examined. The detailed analysis of the methodology of CPA showed that it approached performance measurement in a balanced way in order to assess a range of performance demanded by different stakeholder, and provided league tables to the public as a more understandable form. Deep interviews in Bristol, Devon, the LGA and the AC clearly led chapter 6 to a conclusion that CPA was likely to be placed in the 6th type of Bouckaert's classification. This meant that the CPA framework was relatively weak in legitimacy, but relatively strong in validity and functionality. As a result, there was a need to encourage local government, its staff and people to participate in CPA, in addition to adopting local priorities and preventing perverse effects.

Chapters 7 and 8 focused on JPA in Korea. The former showed that JPA was a tool for Korean government to respond to environmental changes, particularly to the exchange crisis in 1997 and establishment of local elections in 1995. It found the two main aims of JPA to be the same as CPA and reviewed the efforts of MOPAS to assess local government performance with expertise and without political bias. The examination of the JPA methodology in detail proved that it was designed to assess the performance of local authorities in a rounded picture and facilitate their competition and comparison through the production of league tables. Chapter 8 empirically found that JPA was also similar to Bouckaert's 6th type of performance measurement systems. In addition to reflecting local priorities and adopting PMs to qualitative aspects of performance, JPA consequently needed to improve its legitimacy because of the emotional resistance to it by local government.

A systematic comparison between CPA and JPA in chapter 9 led to a generalisation of findings in this research. First, the fact that the UK and Korea are very different countries allows the common introductory elements of both frameworks to apply them to other countries, given that both frameworks have been successful. They can be for example used for the anticipation of the introduction of similar systems into other countries and as advanced conditions for the success of policy transfer.

Second, CPA and JPA were judged to be successful measurement systems in the public sector to improve performance and enhance accountability. Their balanced approach and their impact on internal management by the provision of league tables to people have made both regimes valid and functional. This can be strongly supported by the incorporation of performance measurement into organisational culture. Therefore,

commonalities between their methodological designs can be more generally interpreted into other public sector organisations.

Third, beyond traditional control, both frameworks showed the possibility of resolving dormant conflict between central and local government and of encouraging their cooperation for performance improvement. For this, the legitimacy of CPA and JPA were identified as a key element. In addition, moving their assessment focus from input and due process to output and outcomes can serve as momentum for a balance between autonomy and accountability.

In addition, the difference of the assessment bodies between CPA and JPA clearly underlined the importance of their expertise to measure performance while other methodological similarities and differences can be helpful at both theoretical and practical levels in managing performance in the public sector.

These comparative findings significantly contribute to understanding certain environmental elements resulting in the introduction of such unique measurement systems in IGRs in the two countries; and more generally a recent trend of administrative phenomena enthusiastically used in the public sector in many countries - performance measurement as a principal tool of government reform. They are also valuable to identify how valid, legitimate and functional performance measurement can be working in the public sector and classify what characteristics it should contain for successful performance management in government. The comparative findings therefore provide important lessons for studying performance measurement in government in theory and transferring its policy framework between countries in practice.

3. Suggestions for each country and for future research

3.1. Recent developments and suggestions in the short term

According to the findings of this study, some suggestions can be made for the developments of CPA and JPA to become more valid, legitimate and functional performance frameworks. In addition, CPA and JPA can learn from each other: their differences in methodology could suggest improvement to either's framework. More appropriate policy suggestions for CPA and JPA need to be based on their new framework proposals which were published in 2008 respectively in England and Korea.

In England, the 2006 White Paper, 'Strong and Prosperous Communities' (DCLG, 2006c) proposed a new framework, 'Comprehensive Area Assessment (CAA)', to replace CPA from April 2009²⁴² in order to ensure a central government policy or Local Area Agreement (LAA). According to a consultation paper (AC, 2008b), CAA will have two main assessments. 'An area assessment' looks at how well local public services are delivering better results for local people in local priorities, such as health, economic prospects and community safety. Therefore, it would be similar to SA in CPA. For the reduction of the local government administrative burden, the AC proposed the area assessment as an evolving (or rolling) assessment. On the other hand, 'organisational assessments' will relate to performance management (including use of resources) of individual public bodies, such as councils, fire and rescue services, primary care trusts and police authorities by relevant inspectorates. For councils, these will combine use of resources and managing performance themes. Three themes make up the use of resources assessment (managing finances; governing the business including commissioning services; and managing resources, such as people and physical resources). Managing performance theme covers how well councils are delivering services and improvement as well as assessing capacity and capability. Therefore, this new organisational assessment seems to be similar to the mixture of CA, UOR and DOT in the present CPA framework. The methodology of CAA is also based on that of CPA (AC, 2008b). For judgement, it uses the National Indicator Set; self evaluation by local government; a range of plans, such as community strategy and housing strategy; and audit and inspection reports. The result of CAA is also reported on the web site of the AC just like CPA. Composite star rating in CPA is replaced by 'a red or green flag'²⁴³ in the area assessment, but the organisational assessment is still scored on a 4 point scale as in CPA.

The Korean government similarly announced a new policy direction for JPA. According to this proposal (Mok, 2008), all assessments of local government will be incorporated into JPA from March 2009 in order to reduce the administrative burden for each locality as well as to improve their validity, transparency and credibility²⁴⁴. The

²⁴² Inspectorates such as AC, Commission for Social Care Inspection, Healthcare Commission, HMI Constabulary, HMI Prisons, HMI Probation and Ofsted have worked together to develop CAA. Such assessments related to children's services JAR and APA by Ofsted, and social care star ratings by CSCI will not continue beyond March 2009 (DCLG, 2006c).

²⁴³ The AC will use 'a red flag' on councils (for significant concerns about performance or future prospects) or 'a green flag' (for exceptional success and innovation) in area assessment (AC, 2008b).

²⁴⁴ According to MOPAS, twenty ministries assessed local government in their policy areas in terms of 54 individual policy/programme assessments. Many of them were redundant to JPA so that administrative burden and the necessity of those were indicated as being problematic by local authorities (Mok, 2008).

numbers of policies and programmes which are assessed in JPA and PIs for them will be reduced. The timing of assessment will be changed to March to June rather than January to April in the present framework. The amount of extra funding as a financial incentive will be significantly raised to 100 billion Won in 2009 which is up to 5 British million pounds in 2008 (from 10 billion Won in 2007 and 41.5 billion Won in 2008). MOPAS also proposed the expansion of user survey on more policies and programmes and of PIs which assess qualitative aspects of performance (e.g. from 1.6% in 2007 to 10% in 2009).

In this context, suggestions can be made for common improvement for both countries and for each government's particular problems.

1. First, this research makes some suggestions for both countries.

1.1. For the improvement of validity, it is crucial to develop more appropriate PIs. As seen in the case studies, PIs tended to focus on input and output rather than outcomes and quality. In addition, it was found that some PIs were not achievable in certain local authorities because of their circumstances.

1.2. The legitimacy of assessment has to be most strongly improved according to the fact that both CPA and JPA were placed in the 6th type in Bouckaert's classification in case studies. Particularly, JPA has to strongly develop its legitimacy in order to overcome local authorities' emotional resistance to JPA, resulting from the strong affirmation of local autonomy. Therefore, CAA or JPA needs to be much more open to stakeholders, especially to local government, to lower-level officers and frontline employees and finally to the public. The more they participate in those performance assessment frameworks which are nationally determined and externally introduced, the more legitimately they accept them and further feel ownership. Legitimacy or ownership can be more strongly improved when CAA and JPA focus on the measurement of outcomes rather than input or output (chapter 9).

1.3. From the perspective of functionality, the accountability of local government to people has to be improved. For this, the results of performance measurement need to be delivered to the public more positively and more directly (BAI and KAPAE, 2007). The use of tax bills for informing voters of comparative performance assessment results as in Ontario would be useful for them to recognise local government performance and further may influence their decisions on local elections (chapter 6; Wynnycky, 2006).

1.4. Reducing perverse effects is also important for the functionality of performance measurement. Since perverse effects are closely related to invalidity and illegitimacy of performance measurement, CAA and JPA have to improve their validity and legitimacy in order to avoid such effects. In addition, performance measurement has to be rooted in the organisational culture of local government (*see* Broad, et al., 2007).

1.5. CAA and JPA both need to accommodate local priorities more enthusiastically in order to become a more comprehensive performance measurement system that can show a range of the performance of local government in a rounded picture. CAA seems to capture them better than CPA because LAA usually consists of agreed priorities between central and local government, and partner organisations. However, in Korea, it seems to be necessary to change the Assessment Act in order for JPA to assess local priorities more inclusively, because of the lack of full consent to JPA by local authorities. Therefore, MOPAS needs further persuasion for local government to agree on this idea for performance improvement.

On the other hand, both countries can learn from each other to improve CAA or JPA.

2. JPA can help CAA in the assessment of capability and capacity since they focused on different aspects of local government capacity.

2.1. For example, the assessment of organisational structure and the total sum of salary in JPA would be meaningful if it is considered that a big salary is often paid to some local officials as reported in a newspaper article²⁴⁵ (the Daily Telegraph, 29/03/08).

2.2. The assessment of learning and innovation in JPA also helps CAA to adopt similar measures in England for the stimulation of local government to make an effort to become a learning organisation which can lead to continuous creative innovations.

2.3. It is necessary to group councils separately according to their circumstances in the English framework. For example, performance standards as well as final grading need to be distinguished in metropolitan areas such as London borough councils, other urban areas and rural areas.

²⁴⁵ It reported as follows. "...from more than 450 councils, the group [the TaxPayers' Alliance] found 818 council staff whose total remuneration was £100,000 or more in 2006/07. In 2005/06, a similar exercise found 645 people on such salaries. The six best-paid local government officials during 2006/07 received salaries in excess of £200,000...Fourteen council executives on the list earned more than Gordon Brown, whose combined pay for being Prime Minister and an MP is £188,849. Another 132 officials were paid more than a Cabinet minister's salary of £137,579" (the Daily Telegraph, 29/03/08).

2.4. In addition, for the transparency of assessment and benchmarks, the AC may need to open all submitted data and evidence to all local authorities like in Korea.

2.5. Reducing cost regarding CAA would be another important issue, because CPA incurred very high costs. Therefore, qualitative PMs need to be replaced by quantitative assessment as much as possible with more effective IT tools. For example, UOR seems to be able to be conducted by a set of PIs as in JPA.

2.6. More incentives need to be introduced for better performing authorities in at least the most important policies and programmes. For example, if sustainable community strategy is important, those that achieve good performance regarding this might as well be encouraged by extra funding as in Korea. This is because some financial incentives help central government to achieve its important priorities more easily.

3. JPA can learn some important lessons from CPA.

3.1. Most of all, for the improvement of validity, there is a need to adopt such qualitative measures as KLOE, because PIs have limitations in measuring qualitative performance. These qualitative PMs need to be introduced specifically for the assessment of leadership as in CPA.

3.2. For more accurate measurement, PIs in JPA need to be adjusted to reflect deprivation or variation particularly of financial resources, between local authorities as seen in such aspects of CPA as ‘adjusted PIs and cost’ (chapter 5).

3.3. In addition, relative grading in JPA needs to be replaced by absolute grading as in CPA, because it resulted in many perverse effects despite encouraging local government to achieve more.

3.4. The use of absolute grading also might need an improvement assessment like DOT in CPA in order to encourage the continuous improvement of local government performance.

3.5. The Korean government might need to establish a professional institution for performance measurement as a counterpart to the AC in England, which has developed enough knowledge and skills to create CPA and CAA and accumulated a range of performance information on local government.

Although the need to learn from others in solving social problems effectively and efficiently or succeeding in policies and programmes is growing, appropriate lesson-

drawing, or importing and exporting policies between countries are rather difficult and complex. Therefore a simple imitation or copy in one country's practices may often fail to achieve intended policy aims or deliver public services in another's. According to Rose (2005:8) who suggests ten steps²⁴⁶ in lesson-drawing between countries, the process of lesson-drawing should be systematic and essentially reflect the unique context of a state which tries to apply others' best practices to its own country. This should be applied to British, Korean or other governments which want to learn from the two countries' experience and the successful policy elements of CPA and JPA.

3.2. Desirable reforms in a longer term perspective

Although some suggestions for both countries were made according to the analysis of CPA and JPA, it would not be easy to adopt them in practice because they may contradict each other. For example, adopting qualitative PMs in Korea might mean more spending of cost and time. In addition, such measurement systems might constantly experience some criticisms regarding local autonomy because local government performance is managed not by itself but by central government. Further, this kind of management systems may also become an obstacle to the creative activity of local government. Local experiments and learning in terms of locally set targets have been strongly recommended for the improvement of local government performance. As Martin and Bovaird (2005: 86) point out, local authorities become 'largely passive recipients of central policy initiatives' following central government's lead rather than setting their own agendas. The following statement of an interview in the LGA seems very appropriate to indicate this problem.

The focus [of CPA] is on compliance rather than creativity or innovation...They may be less likely to take a risk to try to do something different for local people and community...We don't need to rely on an external body to ensure that performance is managed within local authorities...for much more about self awareness and self assessment to collect their own information about services they provide (interview with an anonymous LGA policy manager, 18/06/08).

As a result, it would be necessary to suggest more desirable prescription for the development of CPA and JPA so as to help local government improve performance and

²⁴⁶ For the systematic application of lesson-drawing, Rose (2005: 8) proposes ten steps within three stages: (stage 1: getting started) Learn the key concepts, Catch the attention of policymakers, Scan alternatives and decide where to look for lessons; (stage 2: venturing abroad) Learn by going abroad, Abstract from what you observe a generalised model of how a foreign programme works; (stage 3: returning home) Turn the model into a lesson fitting your own national context, Decide whether the lesson should be adopted, Decide whether the lesson can be applied, Simplify the means and ends of a lesson to increase its chances of success, and finally Evaluate a lesson's outcome prospectively over time.

accountability in a longer term perspective. Based on the usefulness of self-assessment (chapter 2 and 3), an idea for this can be the use of local government's own management systems instead of central management systems. This means that the results of their own performance measurement (management) systems are published to people and central government by themselves under their own responsibility. They will be more transparently delivered to people in terms of, for example, tax bills. For the improvement of national priority service delivery, a small volume of centralist PIs can be enforced to incorporate into local government's own performance measurement systems. In fact, all or most local authorities in England and Korea have their own performance management systems.

Their own management systems are likely to provide more useful performance information including that of local priorities. PMs such as PIs can be adjusted to be more suitable for the assessment of a certain locality. The concern would also be decreased about whether the local autonomy is encroached on central government. In addition, the administrative burden and assessment cost for the preparation of CPA and JPA can be significantly diminished. At present, local government is exposed to a double burden through preparation of their own systems and central management systems.

However, this idea would be harmful to the accountability of local government in that there is no guarantee of the transparency and credibility of assessment. Serious gaming could happen, such as ratchet effect and threshold effect when performance information is delivered to people in terms of tax bills. Therefore, another mechanism to prevent gaming and ensure its accountability is necessary and Charter Mark can be used as a good model (*see* chapter 3). In terms of the introduction of the Charter Mark for performance management systems in local authorities, the AC and MOPAS can assess the validity of local authorities' own management systems and verify the accuracy of their own assessment results. In other words, the AC and MOPAS can give local authorities a Charter Mark of their own performance management systems following the deliberate assessment of those. In the competition of the Charter Mark, local government would be expected to develop more valid, legitimate and functional measurement systems. The AC and MOPAS also can advise local government with more sophisticated PMs. In addition, for the comparison to other authorities' performance, the AC and MOPAS can accumulate all assessment results of local authorities' management systems and provide to others including the public.

3.3. Suggestions for further research

The findings and methodology in this thesis have implications for future research on CPA and JPA and more generally on performance measurement in the public sector. First, it is needed to latitudinally and longitudinally investigate how CPA and JPA have influenced local authorities. Particularly, research on local authorities that are ranked as the poorest performing by CPA and JPA can find the trajectory of their organisational efforts to recover or improve. Time-series analyses of what kinds of perverse effects have happened in local authorities are also needed in especially relation to their or their staff's behaviour, which might respond to CPA and JPA in terms of manipulation. Their 'not fair' or 'bad' behaviours, such as veiling their defects to obtain better assessment results might as well be examined in terms of 'observation' or 'participant observation'. In addition, the impact of CPA or JPA results on voters' behaviours may need to be investigated in a long term perspective. The changes of inter-governmental relations can also be more deeply tracked as an impact of CPA or JPA. It is also needed to test how valid, legitimate and functional CAA – announced as the successor of CPA and the new version of JPA would be in practice. This would mean examining how CPA and JPA are being developed or progressed towards more sophisticated frameworks. Research of these themes could provide research generalisations or further deep understanding of CPA and JPA.

In addition, more importantly, there need to be continuous investigation of performance measurement (and management) in the public sector in order to define optimal models. Public organisations have been an important object of performance measurement, whether they are government departments, local government, public companies or even research institutions: i.e. ministries, agencies, public train companies, schools, universities, museums and libraries. Therefore, much effort is needed in order to develop sophisticated performance measurement systems that really contribute to performance improvement. This is because they spend a high volume of public money, time and energy as well as often result in perverse consequences rather than real performance improvement.

In this sense, certain performance measurement systems, such as EFQM and BSC, which have been widely used in public organisations these days, strongly require testing. Although such general models have been widely used in a range of public organisations, there has not been much research of how they are operating and contributing to performance improvement. In addition, since each public organisation is

surrounded by different stakeholders and so given different aims and purposed, performance measurement systems that are presently used by it need to be challenged and tested in order to improve their validity, legitimacy and functionality.

In a theoretical perspective, Bouckaert's three dimensional criteria would be challenged by further research. Although a range of conditions for good PMs or measurement systems were systematically classified in his model, three dimensional directions may be able to converge fundamentally on one or two directions. This is because cases studies in this study showed that more valid PMs or measurement systems tended to be accepted as being more legitimate and functional. In fact, as seen in chapter 2, the bottom-up approach of developing performance measurement systems is to enhance their validity and functionality. The argument of his three dimensions for good performance measurement in the public sector may in time emerge as a good issue to study.

If it is agreed that internalisation of performance measurement into the culture of public organisations is important to enhance its validity, legitimacy and functionality (especially preventing perverse effect), further research need to focus what factors or elements are related to this internalisation, which will be likely to contribute broadly to both theoretical and practical worlds.

Appendix

Table 1. Interviewees in England

Bristol City Council (9)	21/05/08	*Cummins, M., the coordinator of performance and improvement, fully-directly responsible for CPA in Bristol.
	21/05/08	Dorrington, L., the strategy leader of performance and planning in Children and Young People's Service.
	21/05/08	*Crawley, Ian, the head of Business Transformation.
	22/05/08	Anonymous, the team manager of Business Improvement Group in department of Planning, Transport and Sustainable Developments.
	22/05/08	Anonymous, performance improvement officer in department of Planning, Transport and Sustainable Developments.
	22/05/08	Davenport, K., The head of Director's Office in Culture and Leisure.
	22/05/08	Reynell, C., the head of Central Support Services.
	31/07/08	**Bees, J., a councillor who is the Executive Member of Support Services.
	21/05/08	Scott, I., the Representative of UNISON, a Trade Union of Bristol.
Devon County Council (7)	20/02/08	*Bowden, K., an improvement officer, directly-fully responsible for CPA in Devon.
	20/02/08	*Slocome, D., an organisational development officer in department of Personnel and Performance.
	19/06/08	*Jule, J., a performance officer in department of Personnel and Performance.
	04/07/08	Johnstone, D., the head of Adult and Community Services.
	10/07/08	Davis, M., the acting director of Finance.
	10/07/08	Phillips, C., the finance manager.
11/03/08	*Hennon, D., a councillor who is the cabinet member responsible for performance.	
The LGA (2)	16/06/08	Easton, N., A senior consultant for performance
	16/06/08	*Anonymous, A business manager of Policy
The AC (2)	16/06/08	Anonymous, a programme manager in Local Government Implementation Team
	16/06/08	*Anonymous, a programme coordinator in Local Government Directorate. (There were three other anonymous officers who become indirect email correspondents)

A person with ** was interviewed by telephone and sent a email of detailed answers.
People with * sent many detailed further answers and documents by email.

Table 2. Interviewees in Korea

Daegu Metropolitan City (8)	25/07/08	Shin, J., the deputy director of division of Policy Planning in the bureau of Planning and Coordination, fully responsible for JPA in Daegu.
	24/07/08	Anonymous, an officer responsible for social welfare in JPA in Social Welfare Policy Office.
	25/07/08	Kim, S., an officer responsible for security and disaster management in JPA in Civil Defence and Emergency Control Division.
	25/07/08	Lee, S., an officer responsible for women policy in JPA in Women and Family Affairs Division.
	25/07/08	Anonymous, an officer responsible for regional development in JPA in Urban Affairs and Housing Bureau.
	25/07/08	Baek, U., an officer responsible for local economy in JPA in Urban Affairs and Housing Bureau.
	24/07/08	Lee, S., an officer responsible for environment in JPA in Environmental Policy Division.
	24/07/08	Anonymous, an officer responsible for culture in JPA in Culture and Sports Bureau.

Chungbuk Province (11)	21/07/08	Keum, H., the deputy director of department of Policy Planning, fully responsible for JPA in Chungbuk.
	23/07/08	Kang, H., the director of department of General Affairs (involving personnel management)
	23/07/08	Yoon, J., the director of department of Economic Policy.
	23/07/08	Yoon, Y., a deputy director of department of Cultural Policy.
	22/07/08	Kwon, S., a deputy director of department of Women Policy.
	21/07/08	Kim, J., a deputy director of department of Disaster Management.
	22/07/08	Joeng, H., an officer responsible for environment policy in department of Environment.
	22/07/08	Ahn, K., an officer responsible for food hygiene in department of Public Health and Sanitisation.
	22/07/08	Anonymous, an officer responsible for food hygiene in department of Public Health and Sanitisation.
	24/07/08	Yoon, S., an officer responsible for health service in department of Public Health and Sanitisation.
	23/07/08	Jeong, G., the representative of Chungbuk Local Officer Union.
MOPAS (3)	01/08/08	Choi, Y., a director responsible for JPA, the head of local government performance management team.
	01/08/08	Choi, J., a deputy diector responsible for JPA
	16/06/08	Park, Y., a deputy director responsible for JPA.
Krila (2)	13/04/08	*Park, H., a senior research fellow for performance evaluation, Ph. D.
	13/04/08	*Joo, J., a senior research fellow for local administration, the deputy director of n planning, Ph. D.

People with * were interviewed face to face in London.

Table 3. Checklists or conditions for Ideal PIs or performance measurement systems

Hatry (1980: 313-314)	Performance measurement principles	
	1.	<i>Validity/Accuracy</i> : do they measure what it should?/do they measure what they are supposed to accurately enough?
	2.	<i>Understandability</i> : will the measure be reasonably understandable by government officials?
	3.	<i>Timeliness</i> : can the information be gathered in time for it to be useful to public officials?
	4.	<i>Potential for encouraging perverse behaviour</i> : will the measure result in behaviour that is contrary to the objectives of the organisation?
	5.	<i>Uniqueness</i> : does the measure reveal some important aspect of performance that no other measure does?
	6.	<i>Data collection costs</i> : what does it cost to collect and analyse the data for the measure?
	7.	<i>Controllability</i> : to what extent is the measure controllable by the agency whose performance is being measured?
	8.	<i>Comprehensiveness</i> : does the set of measures cover all or most performance aspects of the organisation's functions?
Jackson (1988: 12)	Ideal indicators	
	1.	<i>Consistency</i> : the definitions used to produce the indicators should be consistent over time and between units
	2.	<i>Comparability</i> : following from consistency it is only reasonable to compare like with like
	3.	<i>Clarity</i> : performance indices should be simple, well defined, and easily understood
	4.	<i>Controllability</i> : the manager's performance should only be measured for those areas that s/he has control over
	5.	<i>Contingency</i> : performance is not independent of the environment within which decisions are made, which includes the organisation structure, the management style adopted as well as the uncertainty and complexity of the external environment
	6.	<i>Comprehensive</i> : do the indicators reflect those aspects of behaviour which are important to management decision making;
	7.	<i>Bounded</i> : concentrate upon a limited number of key indices of performance. Those which are most likely to give the biggest pay off
	8.	<i>Relevance</i> : many applications require specific performance indicators relevant to their special needs and conditions. Do the indicators service these needs?

-
9. *Feasibility*: are the targets based on unrealistic expectations? Can the targets be reached through reasonable actions?
-

Criteria for robust performance indicators

- The AC**
(2000a: 16-20)
1. *Conceptually valid*: producing data which accurately measure the objective that the authority is intending to achieve.
 2. *Attributable*: attributable (at least in part) to the authority's policies and efforts.
 3. *Well defined*: so that progress can be assessed clearly and precisely.
 4. *Verifiable*: with clear documentation that allows the processes that produce the data to be validated.
 5. *Timely*: so that progress can be tracked at appropriate intervals.
 6. *Free from perverse incentives*: so that the indicator does not encourage unwanted or wasteful behaviour.
 7. *Reliable*: so that an indicator consistently represents what it purports to represent.
 8. *Unambiguous*: so that it is clear whether an increase or decrease in the value of the indicator is a positive result.
 9. *Statistically valid*: performance indicators based on a small number of cases may show substantial annual fluctuations (although such movements may be 'smoothed' over a long period).
-

Principles underlying effective performance measurement

- The AC**
(2000b: 7-11)
1. *Clarity of purpose*: stakeholders of performance information should be identified, and indicators should help them make better decision or answer their questions.
 2. *Focus*: performance information should be focused on the core objectives and service areas in need of improvement.
 3. *Alignment*: performance measurement systems should aligned with the objective setting and performance review processes of the organisation.
 4. *Balance*: PIs should give a balanced picture of the organisation's performance reflecting the main aspects, including outcomes and the users' perspective.
 5. *Regular refinement*: PIs should be kept up to date to meet changing circumstances.
 6. *Robust performance indicators*: PIs should be sufficiently robust and intelligible for their intended use.
-

Criteria for useful PMs

- Poister**
(2003: 88-106)
1. *Valid and reliable*: ensure reliability by the consistency or dependability of PIs (objective, precise, and dependable); and validity²⁴⁷ (appropriateness and representation of the performance dimension).
 2. *Meaningful and understandable*: directly related to the mission, goals and intended results of a program, and represent performance dimensions (consequently, important information of performance and understandable to stakeholders)
 3. *Balanced and comprehensive*: incorporate all the performance dimensions and types of measures, and include indicators of every relevant aspect of performance; include a balanced set of a variety of measures.
 4. *Clear regarding preferred direction of movement*: previously making agreements on targets and the preferred direction of movement on the scale to use proposed PIs or measures
 5. *Timely and actionable*: report the data in a timely manner; influence the programme or organisation as a whole.
 6. *Resistant to goal displacement*: define sets of indicators with balanced incentives and channels to avoid goal displacement which most arises from unbalanced PMs
 7. *Cost-sensitive/nonredundant*: reduce the cost of collecting and processing performance data; exclude redundant PMs or fairly extraneous indicators leading to more cost with little information.
-

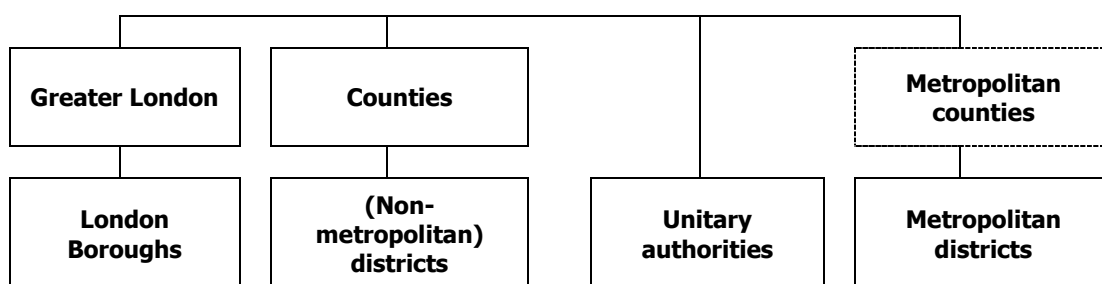
²⁴⁷ According to Poister (2003: 91), there are four bases on which to 'validate' performance measures or PIs. 'Face validity' means clearly valid measures 'on the face of it'. 'Consensual validity' is conferred on a performance measure when a number of experts and other professionals give consensus. 'Correlation validity' occurs to an indicator correlated well statistically with another indicator already considered to be a proven measure. 'Predictive validity' is conferred on an indicator which can be used to reliable predict outcome in the future.

Table 4. Twenty lessons from managerial use for PIs

- 1. Concept**
 - a. Include all elements integral to what is being measured
 - b. Choose a number appropriate to the organisation and its diversity
 - c. Provide adequate safeguards for ‘soft’ indicators, particularly quality
 - d. Take account of accountability and politics
- 2. Preparation**
 - a. Devise them with people on the ground, who must feel ownership
 - b. Build in counters to short-term focus
 - c. Ensure that they fairly reflect the efforts of managers
 - d. Find a means to cope with uncontrollable items and perceived injustices
 - e. Use the experience of other organisations or other parts of the organisation
 - f. Establish realistic levels of attainment before the first targets are set
- 3. Implementation**
 - a. Recognise that new indicators need time to develop and may need revision in the light of experience
 - b. Link them to existing systems
 - c. They must be easily understandable by those whose performance is being measured
 - d. While proxies may be necessary, they must be chosen cautiously
 - e. The period of introduction should be used to reassess internal and external relationships
- 4. Use**
 - a. The data on which the results are based must be trusted
 - b. Use the results as guidance, not answers. Recognise that interpretation is the key to action
 - c. Acknowledge the importance of feedback. Follow-up gives credibility; no feedback means atrophy; negative-only feedback encourages game-playing
 - d. Trade-off and complex interactions must be recognised; not all indicators should carry equal weight
 - e. Results must be user-friendly and at appropriate levels of aggregation and response time

Source: adapted from Likierman (1993: 15-21).

Figure 1. Structure of local government in England



Source: <http://www.statistics.gov.uk/geography/england.asp>

Table 5. Function of local government in England

Major service	Examples of what is delivered
Education	Schools: nursery, primary, secondary and special pre-school education Youth, adult, family and community education, Student support
Transport	Construction and maintenance of non-trunk roads and bridges Street lighting, Traffic management and road safety, parking services Public transport, Airports, harbours and toll facilities

Social services	Children's and families' services: support, welfare, fostering, adoption Youth justice (youth offenders teams), Services for older people: (nursing, home, residential and day care) and , meals for people with disability.
Housing	Council housing, Housing strategy and advice, housing renewal Housing benefits, welfare services, Homelessness
Cultural services	Culture and heritage: archives, libraries, museums and galleries Recreation and sport, tourism and open space (Open spaces: national and community parks and, countryside, allotments) Libraries and information services Cemetery, cremation and mortuary services
Environmental services	Community safety, consumer protection, coast protection Environmental health: food safety, pollution and pest control, licensing Agriculture and fisheries services Waste collection and disposal, street cleansing
Planning and Development	Building and development control, Planning policy Economic development and environmental initiatives
Protective services	Police services, Fire services Court services: coroners etc
Central and Other services	Local tax collection, Local land charge, Registration of births, deaths and marriages, Elections, including registration of electors, Emergency planning

Source: ODPM, Local Government Finance Statistics England No.16, 2005

Table 6. Functional responsibility of local government in England

	Met/London Authorities			Shire/Unitary Authorities		
	Joint Authority	Met Council	London Borough	District Council	Unitary Authority	County Council
Education		•	•		•	•
Housing		•	•	•	•	
Planning Applications		•	•	•	•	
Strategic Planning		•	•		•	•
Transport Planning		•			•	•
Passenger Transport	•				•	•
Highways		•	•		•	•
Fire	•				• ²⁴⁸	•
Social Services		•	•		•	•
Libraries		•	•		•	•
Leisure & Recreation		•	•	•	•	
Waste Collection		•	•	•	•	
Waste Disposal	•				•	•
Environmental Health		•	•	•	•	
Revenue collection		•	•	•	•	

Source: Local Government Structure, LGA Fact sheets (2003.6)

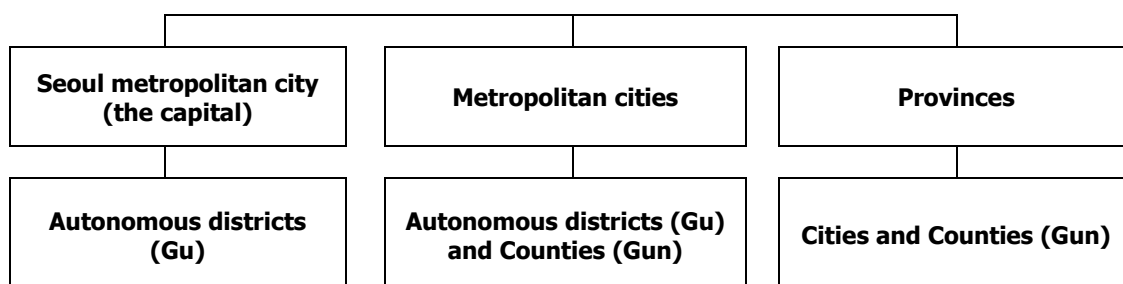
²⁴⁸ Joint Fire authorities operate in Counties with Unitary Authorities in them. These are combined fire authorities.

Table 7. Summary of local authority income 1998-99 to 2003-04 in the UK (£ mn)

	'98-'99	'99-'00	'00-'01	'01-'02	'02-'03	'03-'04
Revenue Support Grant	19,480	19,875	19,437	21,093	19,889	24,215
Redistributed business rates	12,524	13,612	15,400	15,137	16,626	15,604
Specific, housing, police grant, etc	18,245	17,987	19,637	24,130	29,204	34,267
Total grant income	50,249	51,474	54,474	60,361	65,719	74,086
Council tax	12,436	13,368	14,292	15,296	16,648	18,946
Sales, fees and charges	7,020	7,303	8,143	9,023	9,685	10,191
Etc	6,543	7,328	7,365	7,421	8,656	8,804
Total locally-funded income	25,999	27,999	29,800	31,740	34,989	37,941
Others	5,161	5,541	5,113	5,775	6,617	7,557
Total income	81,409	85,014	89,387	97,876	107,325	119,584
Grants as a percentage of total income	62%	61%	61%	62%	61%	62%

Source: adapted from ODPM, Local Government Finance Statistics England No.16, 2005

Figure 2. Structure of local government in Korea



Source: KLA FIR(2005)

Table 8. Functions of local government in Korea

Category	Examples of functions
Local administration	Organisational and managerial aspects of local government: ordinance, regulation, personnel management, budgeting, collecting local tax, public asset management and self-auditing.
Welfare	Support for seniors, the poor and disabled, welfare facilities, public hospital, garbage collection, sanitation and hygiene, operation of local public enterprises
Agriculture and Commerce	Irrigation facilities, distribution of agricultural products, forest and dairy businesses, fishery; local economy, small/medium-sized businesses, tourism, consumer protection
Regional development and Environment	City planning, construction and civil engineering, local roads, housing and residential environment; water supply, sewage cleaning, park, regional rivers, traffic systems
Education, Culture and art	Elementary, junior and high schools, libraries, museums, art galleries, stadiums, leisure, culture, historical preservation
Civil defence and fire protection	Management of the civil defence system, disaster protection and fire fighting

Source: section 9 of the Local Autonomy Act

Table 9. Local tax in Korea

	urban area		rural area	
	metropolitan city	autonomous district	province	city and county
Acquisition Tax	•		•	
Registration Tax	•		•	
Leisure Tax	•		•	
License Tax		•	•	
Resident Tax	•			•
Property Tax		•		•
Automobile Tax	•			•
Local transportation Tax	•			•
Farmland Tax	•			•
Tobacco Tax	•			•
Butchery tax	•			•
Urban Planning tax* ²⁴⁹	•			•
Business place tax*		•		•
Common facilities Tax*	•		•	
Regional development Tax*	•		•	
Local education Tax*	•		•	

Source: D.K. Kim (2005), The Finance of Local Government in Korea

Table 10. General shape of local finance in Korea (billion Won, %)²⁵⁰

Year	GDP (A)	Central Expenditure (B)	Local Expenditure (C)	Transferred Finance (D)	Central Revenue (B+D)	Local Revenue (C-D)	B/A	C/A	(C-D)/(B+D)
1995	398,837.7	72,915.0	38,872.6	11,450.7	84,365.70	27,421.9	18.3	9.7	32.5
1996	448,596.4	83,705.2	46,964.8	13,917.5	97,622.70	33,047.3	18.7	10.5	33.9
1997	491,134.8	92,463.2	54,014.0	16,078.9	108,542.1	37,935.1	18.8	11.0	34.9
1998	484,102.8	106,450.5	55,618.3	17,863.3	124,313.8	37,755.0	22.0	11.5	30.4
1999	529,499.7	114,548.2	56,809.4	19,512.4	134,060.6	37,297.0	21.6	10.7	27.8
2000	578,664.5	123,915.5	68,329.0	22,293.3	146,208.8	46,035.7	21.4	11.8	31.5
2001	622,122.6	136,480.8	72,360.0	27,620.4	164,101.2	44,739.6	21.9	11.6	27.3
2002	684,263.5	145,249.9	74,317.3	32,872.0	178,121.9	41,445.3	21.2	10.9	23.3
2003	724,675.0	158,647.9	83,550.8	33,704.2	192,352.1	49,846.6	21.9	11.5	25.9
2004	779,380.5	157,610.8	92,151.8	31,820.5	189,431.3	60,331.3	20.2	11.8	31.8
2005	806,621.9	167,933.2	93,463.9	32,486.0	200,419.2	60,977.9	20.8	11.6	30.4

Sources: MOGAHA (2006d)

Table 11. An example of the KLOE and inspection focus for CA

Theme	Key line of enquiry (KLOE)	Examples of Inspection focus
Ambition for the Com-	1.1 Are there clear and challenging ambitions for the area and its communities?	<ul style="list-style-type: none"> ambitions for the community address the underlying needs of the area and its communities ambitions are shared amongst partner organisations and understood by staff and the local community

²⁴⁹ The * marked taxes are earmarked revenues of local government.

²⁵⁰ Net 'actual' expenditure from the settlement of accounts including both of general and special accounts

community	<p>1.2 Are ambitions based on a shared understanding amongst the council and partner organisations of local needs?</p> <p>1.3 Does the council with its partners provide leadership across the community and ensure effective partnership working?</p>	<ul style="list-style-type: none"> • data collection and analysis needs are agreed between councils and partner organisations and information is shared openly between them • service users, staff and other stakeholders, including voluntary and community and private sector organisations, are encouraged to give their views and supported where necessary in doing so • the council demonstrates community leadership through its ability to work in partnership with the statutory, community, voluntary, business and private sectors to add value and deliver against its ambitions and priorities • the council is effective in ensuring that partnership working is productive and sustainable and that accountability in partnerships is clear and robust
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Source: adapted from AC (2006d: 7-32)

Table 12. An example of criteria for judgement for each KLOE in CA

What is the council, together with its partners, trying to achieve?

1. Ambition for the community

Key Question

1.1 Are there clear and challenging ambitions for the area and its communities?

Inspection Focus

Evidence that

- ambitions for the community address the underlying needs of the area and its communities
 - ambitions are shared amongst partner organisations and understood by staff and the local community
 - ambitions are challenging but realistic – underpinned by prioritisation, capacity and performance management
-

Criteria for Judgement

Level 2

- The council has a vision of what it wants to achieve for its communities. It has translated this into ambitions that address the underlying needs, and promote the economic, social and environmental well-being of the area and its communities.
- The council communicates decisions about its ambitions, and changes in these decisions to councillors, officers and staff; and to local people and communities, partners and stakeholders.
- The council can demonstrate that its ambitions are realistic and that it has the capacity and performance management systems in place to deliver them.

Level 3

- The council has developed an overarching, strategic vision and set of clear and challenging ambitions, aims and objectives for the community that promote the economic, social and environmental well-being of the area.
 - The council communicates decisions about its ambitions, and changes in these decisions, to councillors, officers and staff; and to local people and communities, partners and stakeholders. Councillors, officers and partners are clear about their respective roles and are enthusiastic about achieving the overall ambitions which have been set. Local people are clear about what it is the council and its partners are seeking to achieve and understand the balances that have been struck and why. There is understanding and support for the council's ambitions among the community.
 - Ambitions are stretching and challenging, aiming to make a real and measurable difference for local people. The council has taken steps to identify what longer-term, sustainable outcomes the council together with its partners can realistically achieve, including across authority boundaries.
-

Source: AC (2006d: 7-32)

Table 13. Determining the Overall Score of CA

Overall CA score	Scores on five themes
4	Two or more themes with a score of 4/ None less than score of 3
3	Three or more themes with a score of 3 or more / None less than score of 2
2	Three or more themes with a score of 2 or more
1	Any other combination

Source: AC (2007c: para. 101)

Table 14. An example of the KLOE and audit focus for UOR 2007 assessment

	Key line of enquiry (KLOE)	Audit Focus
Financial Reporting	1.1 The council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers	<ul style="list-style-type: none"> • the council's accounts are compiled in accordance with statutory and professional reporting standards • the council's accounts are supported by comprehensive working papers • the accounts and supporting working papers are prepared and approved in accordance with relevant timetables
	1.2 The council promotes external accountability	<ul style="list-style-type: none"> • the council publishes its accounts in accordance with statutory requirements • the council publishes summary accounts/annual report in a way that is accessible to the public

Source: AC (2006b: 2-23)

Table 15. The rule of determining overall scores for the UOR assessment.

Overall score	Scores on use of resources themes
4	Two or more themes with a score of 4/ None less than score of 3
3	Three or more themes with a score of 3 or more/ None less than score of 2
2	Three or more themes with a score of 2 or more
1	Any other combination

Source: AC (2007c: para. 100)

Table 16. Determining the performance information score for each service assessment

Performance Information score	Distribution of PIs
4	No PIs at or below the lower threshold, and 35% or more PIs at or above the upper threshold
3	No more than 15% of PIs (or PI if 15% equates to less than 1) at or below the lower thresholds, and 25% or more PIs at or above the upper thresholds
2	Any other combination
1	35% or more PIs at or below the lower threshold

Source: AC (2007d: 6)

Table 17. The thresholds for determining the SA score for the environment, housing and culture.

Overall SA score	Combined weighted performance information and inspection score
1	Below 1.85
2	1.85 to less than 2.5
3	2.5 to 3.15
4	Above 3.15

Source: AC (2007c: para. 102; 2007d: 5)

Table 18. An example of a set of key judgements and grade descriptors in APA

Grade	Descriptors
<p>Being healthy</p> <p>Outstanding (4)</p> <p>Services are having a very strong impact on improving outcomes for children and young people. In particular, there is a clear and demonstrable narrowing of the gap between the outcomes for most children and young people and those who are the most vulnerable.</p>	<p>In addition to meeting the requirements for a grade 3:</p> <ul style="list-style-type: none"> • For NHS bodies. Most child-specific health targets were met in the most recent Annual Health Check. In the Children’s Hospital Improvement Review hospital(s) were rated excellent. There is compliance with Core Standards C2 and C23 • Health needs, including health inequalities, are known and linked to provision of services through effective joint commissioning leading to improved health outcomes for vulnerable groups of children. • There is an appropriate emphasis on prevention/early intervention leading to improved health outcomes for vulnerable groups of children. Services are accessible to all and resourced to provide timely access. Maternity provision is targeted to need, leading to improved outcomes for vulnerable groups. Targeted advice/support is given to parents at risk, leading to demonstrable improvements in the health of their children. • Multi-agency health promotion work, including the private and voluntary sectors, is effectively targeted at the most vulnerable groups of children, leading to a significant impact on healthy lifestyles; for example, there are reductions in smoking, drugs, alcohol, obesity, sexually transmitted diseases and teenage pregnancies. Through effective targeting, the Child Health Promotion Programme is leading to improved outcomes for the most at risk groups of children. • Physical health needs of children and young people are identified early, accurately assessed and addressed taking into account social, educational and emotional needs, leading to improved outcomes for vulnerable groups of children. • Young people contribute routinely to strategic planning. • Child and adolescent mental health services (CAMHS) are multi-agency, easily accessible, and offer a very good range of support/training to partner agencies, for example, behaviour support in schools, leading to demonstrably improved outcomes. It addresses all four tiers of service, and has targeted services for vulnerable groups, leading to improved outcomes for these groups. • Looked after children receive the necessary health assessments and checks and their health outcomes are improving strongly. An effective audit programme is in place to continually improve their health. Targeted services for looked after children lead to demonstrable improvements in their health, for example, emotional/mental health, sexual health. • There is effective joint commissioning of services for children with learning difficulties and/or disabilities as part of an overall multi-agency strategy for these children. Almost all have multi-agency care plans and lead professionals, leading to demonstrably improved outcomes. Agencies work very effectively together to provide clear and confident transition for children with learning difficulties and/or disabilities or long term health conditions to adult services, and user feedback is positive.

Source: adapted from OFSTED (2007a: 13-29 and 2007c: 16)

Table 19. An example of grade descriptors for the overall effectiveness of children’s services

Grade	Descriptors
<p>Outstanding (4)</p> <p>Services are having a very strong impact on improving outcomes for children and</p>	<p>The council’s contribution to improving outcomes for children and young people is at least good across the five outcome areas, and is outstanding in the majority of service functions. High performance is maintained. Outcomes are considerably better than in other similar areas/authorities. Services contribute clearly to narrowing the gap</p>

young people. In particular, there is a clear and demonstrable narrowing of the gap between the outcomes for most children and young people and those who are the most vulnerable.	between outcomes for most children and young people and the most vulnerable. No service function is inadequate, and for any graded adequate there are clear signs of marked improvement in outcomes for children and young people. Young people, including those from vulnerable groups, contribute routinely, widely and effectively to decision-making and to judging the effectiveness of provision. The responses of children and young people to almost all service provision and delivery are very positive. Capacity to improve is at least good.
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Source: adapted from OFSTED (2007c: 7-8)]

Table 20. Seven outcomes for the judgement of adults' social care service

1. improved health and emotional wellbeing:
enjoying good physical and mental health (including protection from abuse and exploitation). Access to appropriate treatment and support in managing long-term conditions independently. There are opportunities for physical activity.
2. improved quality of life:
access to leisure, social activities and life-long learning and to universal, public and commercial services. Security at home, access to transport and confidence in safety outside the home.
3. making a positive contribution:
maintaining involvement in local activities and being involved in policy development and decision-making.
4. increased choice and control:
through maximum independence and access to information. Being able to choose and control services and helped to manage risk in personal life.
5. freedom from discrimination and harassment:
equality of access to services. Not being subject to abuse
6. economic wellbeing:
access to income and resources sufficient for a good diet, accommodation and participation in family and community life. Ability to meet costs arising from specific individual needs.
7. maintaining personal dignity and respect:
keeping clean and comfortable. Enjoying a clean and orderly environment. Availability of appropriate personal care.

Source: adapted from CSCI (2007: annex 1)

Table 21. An example of KLOA to standards of performance

1. Improved health and emotional wellbeing

Excellent: Grade 4 / In addition to meeting the requirements for a grade 3 the following criteria are met in delivering excellent outcomes:

- 1.1. Almost all people who use services and their carers are helped to understand how to stay healthy and maintain their emotional well-being. They are supported to do so through:
 - a full range of clear, accurate, accessible and well-publicised information regarding healthy lifestyles (including both mental and physical health)
 - individual advice and support being readily available and fully accessible
 - information being available in a range of formats, tailored to the full range of needs and diversity of people who use services.

There is demonstrable evidence of people acting on this information.
- 1.2. The CASSR has well-developed, and consistent joint working arrangements with health partners and other relevant agencies or departments evidenced by:
 - Single Assessment for older people and/or CPA for mental health having been fully planned and fully implemented
 - these processes showing a positive impact for almost all people who use services

- needs being holistically considered and services assigned in effective partnership.
- 1.3. Stays in hospital (or other units that administer medical care) reflect medical need in almost all instances. There is evidence that investment in rehabilitation is preventing further need for medical and social care interventions in almost all cases

Source: adapted from CSCI (2007: annex 1)

Table 22. Overall determination of current delivery of outcomes

Excellent	Four or more outcomes are excellent and no outcomes are poor
Good	Four or more outcomes are good or excellent and no more than one outcomes is poor
Adequate	Four or more outcomes are adequate or above and no more than three outcomes are poor
Poor	Four or more outcomes are poor

Source: CSCI (2007: annex 2)

Table 23. An example of four themes and their three components in SA of benefit service

Themes	Components	Key contents: Does the LA
Claims administration	claims processing;	– meet the standard performance required on processing all types of claim? – monitor the impact of efforts to process claims and changes of circumstances and amend its approach in the light of results?
	quality and reducing error;	– have a claim form that meets the standard set by the DWP series of HCTB claim forms? – act to avoid overpayments occurring?
	overpayments	– minimise reposessions by maintaining effective working arrangements with public and private sector landlords? – check the quality and accuracy of claims and take steps to reduce error? – manage the calculation, classification and recovery of debt effectively?

Source: adapted from DWP (2007: para. 1.20)

Table 24. Overall scoring in benefit service assessment

		Performance measure score			
		1	2	3	4
Enabler score	1	1	1	2	2
	2	1	2	3	3
	3	1	2	3	4
	4	1	2	3	4

Source: DWP (2007: para. 2.71)

Table 25. The KLOE for the DOT assessment for ST&CC

1. What evidence is there of the council improving outcomes?
1.1. Are services improving in areas the council has identified as priorities and areas the public say are important to their communities?
1.2. What contribution is the council making towards wider community outcomes?
1.3. To what degree is the council improving both access and the quality of service for all its citizens, focusing on those who have been ‘hard to reach’ or previously excluded?
1.4. Is value for money improving as well as quality of services?

2. How much progress is being made to implement improvement plans to sustain improvement?

- 2.1. Does the council have robust plans for improving? (Aligned with other plans, SMARTI²⁵¹, detailed, resourced, agreed and widely communicated?)
 - 2.2. How well is the improvement planning being implemented: are key objectives and milestones being achieved?
 - 2.3. Does the council have the capacity to deliver its plans?
 - 2.4. Are there any significant weaknesses in arrangements for securing continuous improvement, or failures in corporate governance, that would prevent the improvement levels being sustained?
-

Source: AC (2007e: para. 111).

Table 26. An example of judgement labels and descriptors for ST&CC

Improving strongly
<ul style="list-style-type: none"> • The council has a very strong track record of improvement in its priority services and in making an effective contribution to wider community outcomes. • Where comparisons can be made it has a track record of achieving strong improvement relative to the performance of other councils. • The council has a robust and successful approach to improving services to all its diverse communities and providing improved value for money. • The council has very robust plans for further improving its corporate ability and can demonstrate it is delivering its planned improvements. As a result the council provides high levels of confidence that the better outcomes are sustainable. • The council can clearly show that it has the capacity it needs to deliver its future plans. The council has no weaknesses in its arrangements for securing continuous improvement, or failures in corporate governance, that would prevent improvement levels being sustained.

Source: AC (2007e: para. 112)

Table 27. Key questions in case studies

Three dimensions	Key questions for understanding how CPA or JPA is in practice working
Validity	<ol style="list-style-type: none"> 1. How valid are CPA and JPA to comprehensively assess and show the performance of local government? <ul style="list-style-type: none"> - Do CPA and JPA reveal important aspects of local government's outcomes and performance? Do they cover its all functions? Do they produce useful information to understand its performance? (<i>Accuracy/Uniqueness/Comprehensiveness</i>) - Do PMs such as PIs in CPA or JPA are appropriate to show local government's performance? Do PIs somewhat focus on data availability? Are they able to show the quality of its performance? How about the number of PIs? (<i>Accuracy/Bounded/Relevance/Robust</i>) - CPA categorises local government by one label mainly depending on corporate assessment (CA). Is this appropriate or acceptable to show a range of local government' performance? CA uses not PIs but a 'best fit model' based on qualitative approach, is it proper and acceptable?; JPA uses only PIs, but is this proper to assess the performance of local government? (<i>Accuracy/Acceptability</i>) - Do CPA and JPA well accord with local government's mission, goals, objectives and service standards. Do they accurately measure the objective that local government (policies and programmes) is intending to achieve? (<i>Alignment/ Conceptually valid/Attributable</i>)

²⁵¹ Specific, Measurable Achievable Realistic and Timed

- Are the targets of CPA and JPA based on unrealistic expectations? Can these targets be reached through reasonable actions? (*Feasibility/Controllability*)
- Is the assessment period of CPA and JPA proper to show local government's achievement or development? (*Timeliness*)
- Are CPA and JPA so complicate and confusing that it may be difficult for local government to understand their methodologies? (*Clarity/ Well defined/ Understandability*)

Legitimacy

1. How legitimate are CPA and JPA in the relationship between central and local government?
 - Whether it is legitimately accepted or recognised for central government to assess local government by CPA or JPA.
 - Whether the AC in England and MOPAS in Korea have enough capacity or professional expertise to assess local government.
 - Local government takes part in the development of and agrees to the methodology of CPA or JPA.
 - Whether local government has ownership of CPA or JPA.
 - Whether CPA or JPA was developed in light of local government rather than central government
2. How legitimate are CPA and JPA within the context of local government?
 - Which level of staff members are more satisfied with CPA and JPA/ whose interest is most reflected in them.
 - Whether lower level staff members' opinions are sufficiently reflected.
 - Whether CPA and JPA are open measurement systems to people/ how local people involve them.

Functionality

1. How well have the aims and objectives of CPA and JPA been achieved?
 - whether CPA and JPA have improved the performance of local government, including the quality of services
 - whether they help local government's (performance) management
 - whether they have contributed to the enhancement of local government's accountability to local people and central government
2. What kinds of changes have happened in local government's environment after the introduction of CPA and JPA?
 - How strong input/interest related to obtain better CPA or JPA results are initiated by local politicians and citizens.
 - What response local government receives as feedback from politicians, citizens and local media.
 - How local government has used the results of CPA or JPA in public relations.
3. What kinds of changes have happened in local government since the introduction of CPA and JPA, e.g., in relation to:
 - decision making and planning; budgeting
 - structure; working procedure/process; personnel
 - control procedures and reward systems
 - civil servants' morale and attitudes
 - the development or improvement of local government towards a learning organisation
4. Have CPA and JPA resulted in perverse effects or dysfunction in local government? (whether they are potential for encouraging perverse behaviour or free from perverse incentives); and how much cost, time and efforts are needed to undertake CPA and JPA? Is their benefit more than them? (*cost*)

Table 28. The 2006 JPA Result published in 2007

Assessment	Metropolitan cities			Provinces			
	Top	Mid	Low	Top	Mid	Low	
AA	Local administration	Daegu Gwangju	Seoul Busan Ulsan	Inchon Daejeon	Chungnam Gyeongbuk Gyeongnam	Chungbuk Jeonbuk Jeju	Gyeonggi Gangwon Jeonnam
	Health and social welfare	Gwangju Ulsan	Seoul Busan Inchon	Daegu Daejeon	Chungnam Jeonbuk Jeonnam	Chungbuk Gyeongnam Jeju	Gyeonggi Gangwon Gyeongbuk
	Environment management	Seoul Daejeon	Busan Gwangju Ulsan	Daegu Inchon	Jeonnam Gyeongbuk Gyeongnam	Gangwon Chungnam Jeonbuk	Gyeonggi Chungbuk Jeju
	Policy on women	Busan Inchon	Seoul Daejeon Ulsan	Daegu Gwangju	Gangwon Chungnam Gyeongnam	Jeonnam Gyeongnam Jeju	Gyeonggi Chungbuk Jeonbuk
	Local economy	Busan Daegu	Inchon Daejeon Ulsan	Seoul Gwangju	Gyeonggi Jeonbuk Gyeongnam	Gangwon Chungnam Gyeongbuk	Chungbuk Jeonnam Jeju
	Regional development	Seoul Inchon	Busan Daegu Ulsan	Gwangju Daejeon	Gangwon Jeonbuk Gyeongbuk	Gyeonggi Chungnam Gyeongnam	Chungbuk Jeonnam Jeju
	Culture and tourism	Seoul Busan	Inchon Gwangju Ulsan	Daegu Daejeon	Gyeonggi Jeonbuk Jeonnam	Gangwon Chungnam Gyeongnam	Chungbuk Gyeongbuk Jeju
	Security for life and property	Busan Ulsan	Seoul Daegu Gwangju	Inchon Daejeon	Gangwon Chungnam Gyeongnam	Gyeonggi Jeonbuk Jeonnam	Chungbuk Gyeongbuk Jeju
ANT	Seoul Busan Daejeon	Daegu Inchon Gwangju Ulsan	-	Chungbuk Jeonbuk Jeju	Gyeonggi Gangwon Chungnam Jeonnam Chungbuk Gyeongnam	-	

Source: adapted from unpublished internal documents of MOPAS (collected by email correspondence with interviewees)

Table 29. A press release about the 2006 JPA result by MOGAHA

The 2006 JPA results show that most policies and programmes have been well implemented and the efficiency of local authorities regarding this has also been well achieved. Most of all, targets in the area of ‘environment management’ and ‘security for life and property’ were highly achieved. In addition, there found significant achievement in such individual programmes as official records management, nature conservation, waste disposal, job support and facility security, while some programmes such as gender equity and public rental house construction were identified as being relatively poor performed. The results also show that performance in Provinces was generally better achieved than in metropolitan areas (a press release by MOGAHA, 26.06.’07: translated by the author).

Table 30. A press release about the 2006 LFA result by MOGAHA

The result of the 2006 LFA shows that local authorities achieved significant improvement in financial management (e.g., in local taxation stability, local tax collection and debt management), but need more efforts to manage fund transferring to private organisations. Some local authorities were assessed to improve their financial management dramatically: for example, Jeonbuk (a upper authority); Masan and Ansan city, Uljin county and Younsoo district (lower-level authorities) jumped up to the top ranking in 2007 from the bottom in 2006. However, three lower-level authorities did not show the soundness of financial management and so will be thoroughly examined for improvement (a press release by MOPAS, 27.12.'07: translated by the author).

Table 31. A press release about the 2006 ALI result by MOGAHA

According to the result of the 2006 ALI, most local authorities (95%) were ranked over grade 3 with no ones in grade 1. This means that they have generally improved in comparison with the 2005 result (table 1 below). Most of all, all upper level authorities were ranked at grade 4 or 5, which means that learning and innovation were wide-spread and internalised in their organisations. Lower level authorities were also gradually improved and thus only 10 of them (4.1%) remained at the grade 2 (a press release by MOGAHA, 28.12.'07: translated by the author).

Table. The improvement of learning and innovation in local government from 2006 to 2007

	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
2005 ALI	15 (6.0%)	46 (18.4%)	116 (46.4%)	69 (27.6%)	4 (1.6%)
2006 ALI	0	10 (4.1%)	108 (43.9%)	115 (46.7%)	13 (5.3%)

Source: quoted from a press release by MOGAHA (28/12.'07)

Table 32. The comparison of contexts between the advents of CPA in England and JPA in Korea

	CPA in England	JPA in Korea
The politico-Administ-rative Environment and IGRs	<p>Long historical tradition of strong centralism in intergovernmental relations between central and local government.</p> <p>The absolute power of Parliament (even the power to abolish local authorities) and consequently, central government's unilateral ruling local government.</p> <p><i>Ultra Vires</i> and a range of strong control mechanisms, such as capping and intervention</p> <p>Significant financial dependence of local government on central government's various grants.</p>	<p>Long historical tradition of strong centralism between central and local government since Josun Dynasty (founded in 1392).</p> <p>No direct local election for councillors till 1992 and for mayors and governors till 1995 (local government was a kind of branch of central government).</p> <p><i>Ultra Vires</i> and a range of control mechanisms, such as inspection and retrieving the powers delegated to local authorities.</p> <p>Significant financial dependence of local government on central government's various grants.</p>
Ideological or philosophical background towards reform and performance measure-ment	<p>The impact of NPM which has fully been introduced in England to overcome inefficiency and bureaucracy of the public sector since the 1970s and as a means of reforming it. It has been accelerated since the 1980s in accordance with Thatcher government.</p> <p>As a result, CPA is the successor of CCT and BV both of which were typical NPM-type initiatives.</p>	<p>The impact of NPM which has fully been introduced in Korea to overcome inefficiency and bureaucracy of the public sector since the 1990s as a means of reforming it. It has been accelerated since an economic crisis in 1997.</p> <p>JPA is a variation of the organisation assessment of central government departments in 1998.</p>

Demands on performance measurement systems of local government	<p>Responding to the shortage of government resources and the flaws of Welfare State since Thatcher government.</p> <p>Overcoming bureaucratism of local government and increasing its 3 Es and enhance its accountability.</p> <p>A need to introduce a new mechanism to ensure the accountability of local government, as the exchange of more powers and freedoms given by the New Labour government since 1997, especially by LGA 2000 that gives general powers to local government, and the 2001 White Paper which delivered greater freedom to it.</p> <p>Reducing the burden of local government to receive a wide variety of inspections by different central government departments.</p>	<p>The strong demand to enhance the efficiency of government from the ‘exchange crisis’ in 1997.</p> <p>The need of a new mechanism to ensure local government’s accountability because of the new introduction of local election instead of appointment systems by central government.</p> <p>Reducing the administrative burden of local government having to receive a wide variety of inspections by different central government departments.</p>
Technical demands and Physical possibility	<p>Central government’s wide range of audit, inspection, measurement systems including various PMs of local government services needed to be integrated. There was a need for the Audit Commission to efficiently do performance measurement of local government as well as show a more rounded picture of local government performance.</p> <p>Relatively, the small number of local authorities that allows the Audit Commission to assess them and report assessment results (150 single tier and county councils in England).</p>	<p>A diverse range of individual evaluations by different central government departments needed to be integrated and revised for the reduction of local government’s administrative burden. In addition, there was a demand of a more sophisticated and comprehensive performance measurement system of local government in accordance with the organisational assessment of central government department.</p> <p>Only 16 upper local authorities that are directly assessed in the JPA framework and 234 lower ones some performance of which are included in the performance of their upper ones.</p>

Table 33. The aims and purposes of CPA in England and JPA in Korea

Two main aims	CPA in England	JPA in Korea
Other purposes	<ul style="list-style-type: none"> ▪ Improving local government performance and delivering better local public services. ▪ Ensuring and enhancing its accountability to the central government and the public. <ul style="list-style-type: none"> • The audits and inspection of local services by the AC and other inspectorates can be more efficiently undertaken through CPA. • CPA is a means to help central government achieve national priorities and PSA targets. • In terms of CPA results, councils are given more freedom or intervened. CPA can give central government a trust in councils’ activities and so contribute to new relations between them. • CPA helps central government correct or revise their policies and programmes and further make new ones based on frontline situations. 	<ul style="list-style-type: none"> • A wide range of individual evaluations and monitoring of local services by central government can be more efficiently conducted under one umbrella of JPA. • JPA helps central government implement their nationally-prioritised policies and programmes. • JPA produces useful information for central government to correct their policies and programmes and make new ones suitable for frontline situations. • JPA provides evidence in terms of which local authorities and officers are given extra funding and awards.

Table 34. The comparison of assessors: the AC for CPA and MOPAS for JPA

	CPA in England	JPA in Korea
The Assessor	<ul style="list-style-type: none"> • The AC is fully responsible for CPA from the development of its framework to the practical assessment of councils. • Various inspection results are used from other inspectorates, such as Ofsted and the CSCI. 	<ul style="list-style-type: none"> • MOPAS has the responsibility for JPA in cooperation with the CGA. • The JPA framework is decided by the Committee for JPA and the assessment of local government is undertaken by the JPA team.
Expertise	<ul style="list-style-type: none"> • Through the historical experience of auditing and inspecting councils, the AC has developed enough capacity and expertise to devise and implement the CPA framework. • Some staff members in the AC are researchers and professional experts of performance measurement. 	<ul style="list-style-type: none"> • MOPAS merely manages the process of JPA. • The Committee for JPA and JPA team consist of experts in performance measurement and public policy. • Some researchers of Krila which is a professional research institution of local government closely participate in the Committee for JPA and JPA team.
Independence of assessment	<ul style="list-style-type: none"> • The AC enjoys their independent status legally and financially in relation to its duty including CPA. • CPA results cannot be amended by any other ministers such as those of the DCLG and DOE. 	<ul style="list-style-type: none"> • JPA results are determined by the Committee for JPA and re-confirmed by the CGA, although they are officially published by MOPAS. • Most committee persons of the CGA and the Committee for JPA are non governmental experts in performance measurement and public policy

Table 35. The focus of the assessment of local government capacity and capability

	CA and UOR in CPA	ALA in JPA
Strong coverage	<ul style="list-style-type: none"> • Ambition or vision (plans, strategies) • Leadership, internal decision making • Partnership with other organisations • Performance management • Financial resources and management (assessed by UOR) 	<ul style="list-style-type: none"> • Organisational structure management • human resources • government archives/records management • Regulation reform • Innovation and learning • E-local government and IT • Financial resources and management
Weak coverage	<ul style="list-style-type: none"> • Human resources • E-local government and IT 	<ul style="list-style-type: none"> • Leadership • Performance management • ambition or vision
Little or no coverage	<ul style="list-style-type: none"> • Organisational structure • Regulation reform • Innovation and learning 	<ul style="list-style-type: none"> • Partnership • Internal decision-making

Table 36. The contents of service assessments in CPA and JPA

SAs in CPA	7 assessments in JPA
<ul style="list-style-type: none"> • APA of education (by Ofsted) 	
<ul style="list-style-type: none"> • Star rating of social service (by the CSCI) • Assessment of benefit service (by the BFI: the AC from 2008) 	<ul style="list-style-type: none"> • Health and social welfare (including 1 individual assessment)
<ul style="list-style-type: none"> • Service assessment of environment (including construction and regional development, transport, sanitary, energy efficiency, recycling and controlling waste) • Service assessment of housing 	<ul style="list-style-type: none"> • Environment management • Regional development (including 1 individual assessment)
<ul style="list-style-type: none"> • Service assessment of culture 	<ul style="list-style-type: none"> • Culture and tourism (including 1 individual assessment)
	<ul style="list-style-type: none"> • Policy on women (including 1 individual assessment) • Local economy (including 2 individual assessments) • Security for life and property (including 1 individual assessment)

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