

**Reporting on service performance: Measurement and myth in the New
Zealand compulsory education sector.**

by

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ABSTRACT

This paper reports on the results of a case study investigating the response of New Zealand schools to the legislative requirement to prepare service performance reports. To date, the ongoing failure to successfully establish service performance reporting in schools suggests further research is warranted. *Prime facie*, it was expected that schools would find the output and outcome distinction underlying the Ministry of Education's procedural guidelines difficult to apply. However, the case study findings support this expectation to a surprising extent. Schools do not apply the output/outcome distinction to their choice of objectives because they include only activities that are easy to measure in their statements of service performance. Objectives are then designed to fit these activities. In this sense, schools adopt a historical and arbitrary methodology to service performance reporting whilst government policy assumes a forward looking and purposeful approach. The research findings also suggest that schools do not prepare statements of service performance in the way intended by the reporting framework because they question its applicability and relevance. Participants expressed concerns with the language used in service performance reporting because it is informed by terminology which they perceive to be associated with commercial enterprises. Schools felt this model was incongruous with the educational environment. Overall, the research suggests that schools are not prepared to devote sufficient time and resources to developing adequate reports of service performance. If, as appears to be case, "service performance reports are [expected to be] forged in the field, by the public entities required to produce them" (Thompson, 1995, p.337) then service performance reporting in the school sector seems destined to remain a controversial and problematic issue for both the schools and the New Zealand government.

The families and whanau of the students in a school have expectations and desires for their children's education. Schools have a responsibility to inform the community about how they are responding to those expectations and desires.

(Ministry of Education, 2003, p.6)

INTRODUCTION

Twin objectives of increased accountability and transparency shaped the developing financial reporting regime in the New Zealand public sector reforms. An important feature of the new framework was the introduction of financial reporting legislation that required government departments to present a Statement of Service Performance (SSP)¹. Widely considered the most innovative and revolutionary aspect of the new financial reporting regime the SSPs were expected to enhance the ability to hold government entities accountable for the effectiveness and efficiency of their activities. In the new era of devolved authority and emphasis on decentralisation SSPs were considered an important tool in clarifying departmental objectives and establishing a means of monitoring performance against those objectives (Ministry of Education, 1993). Specifically they were seen as providing Parliament with the ability to verify that “funds have been employed in a manner which effectively and efficiently carries out the activities it has authorised” (Controller and Auditor-General, 1994, p.54). To date this theory has not translated to practice and service performance reporting remains an anomaly within the financial reporting regime. SSPs are difficult to develop and public sector entities struggle to provide the impetus for their refinement and evolution.

This paper summarises the findings of an exploratory case study which investigates the responses of selected New Zealand primary schools to the SSP reporting requirement. The paper is structured in the following manner. The first section outlines the historical significance of service performance reporting as part of the New Zealand's government's reform agenda. This section also contains discussion and explanation of the performance reporting model in regards to the theoretical distinction between outputs and outcomes. The practical implementation problems associated with service performance reporting in New Zealand are identified and potential benefits and costs of such a regime are considered in the light of the initial government department experiences. The next section assesses the application of service performance reports to school boards of trustees and reviews the procedural arrangements provided for this sector. This section also discusses the potential impact of the service performance reporting regime in the context of school management and planning. The final section of the paper provides detail of the case study employed and key findings are discussed. The empirical evidence suggests that school communities have yet to establish a

¹ Public Finance Act 1989.

meaningful system for preparing service performance reports and the ad hoc nature of the ensuing document falls short of the anticipated vehicle for discharge of accountability. Further development of the theoretical framework for service performance reporting within a structure receptive to the particular vagaries of the education sector is indicated.

SERVICE PERFORMANCE REPORTING: THE NEW ZEALAND CONCEPT

The reform process in the New Zealand public sector sought to increase the accountability of government entities by imposing a requirement on these organisations to report service performance as a component of their financial reporting processes. SSPs were seen as providing a means by which this information could be communicated to Parliament and to taxpayers. The format of this financial statement required government departments to compare and link their annual provision of goods and services to the organisation's objectives. Initially embodied in the Public Finance Act (1989) section 35 (3) (e) provides that "a statement of service performance reporting on classes of outputs is to be produced by the department during the year as compared with the classes of outputs described in the statement of objectives". This provision reflects the adoption of the principle that the "performance of any entity should be determined by reference to the attainment of its objectives" (Sutcliffe, Micallef & Parker, 1991, p.87). However, the ambiguity and complexity of public sector activities means the specification of objectives by which to measure performance is problematic. In this sense, public sector agencies were obliged to adapt a possible 'white elephant' to meet their unique characteristics.

The mechanics of service performance reporting in the New Zealand setting were primarily developed by the professional accountancy body (New Zealand Society of Accountants²). Working in conjunction with other interest groups³ the NZSA developed a model of performance based external reporting in a format for comparing "actual performance results against predetermined policies, objectives and targets" (Thompson, 1995, p.339). The model comprised three classes of non-financial elements that group the organisations' transactions and events (Thompson, 1995). These non-financial elements are categorised as inputs, outputs and outcomes. Inputs refer to the resources used in the production of the goods and services, outputs are defined as the goods and services produced by the entity, and outcomes is the term used to represent the impacts on, or consequences for the community resulting from the existence and operations of the reporting entity (New Zealand Society of Accountants, 1993). Outputs are specifically understood to encompass a wide variety of concepts including policy advice and the administration of regulations as well as the provision of specific services such as education and prison management (Pallot, 1991). In contrast outcomes are seen as representing the impacts on the community from the government's activities (Pallot, 1991).

² Now called NZICA (New Zealand Institute of Chartered Accountants).

³ Including organisations such as the Society of Local Government Managers.

Pivotal to this service performance reporting conceptual framework is the distinction between outputs and outcomes. This division is linked to the accountability relationship between Ministers and the government departments for which they are deemed responsible for (Pallot, 1994). Thus the accountability framework recognises that the “department is held responsible for the producing outputs in accordance with specifications and the Minister is responsible for the choice of outputs and the outcomes which result from those choices” (Pallot, 1994, p.219). This framework was justified on the grounds that an effective assessment of performance can only be made if a distinction is drawn between the results of management and results stemming from external factors over which managers have no control (Pallot, 1991). In other words, because it is usually difficult to ascribe causation for outcomes and there is inadequate knowledge of the relationship between intervention and outcomes (Ball, 1992) it is impractical to hold departments accountable for outcomes. Thus New Zealand’s model of service performance and performance measurement was premised on the ability to separate outputs and outcomes.

The New Zealand service performance reporting framework is based on specification of outputs in terms of quantity, quality, timeliness and cost (Pallot, 1994). This model can be seen as a pragmatic response to the inherent problems of measuring performance based on outcomes. Underlying the model is the reasonable expectation that performance measurement in the public sector should indicate progress towards outcomes (Smith, 1995). Thus the essential first step in this process is determining the outputs that are required to achieve the organisations’ objectives. However, public sector organisations undertaking this step initially tended towards specifying outcomes rather than outputs (Pallot, 1994). In practice, while proponents of the SSP model understood the conceptual distinction between outputs and outcomes, at the departmental level there has been “insufficient guidelines about the process of specifying outputs” (Pallot, 1994).

Public sector organisations are predominantly service organisations. The ultimate objectives of service organisations tend to be outcomes, thus performance measurement involves finding output measures that are adequate proxies for the related outcomes (Thompson, 1997). However, often the link between performance indicators that measure outputs and the ultimate outcome is tenuous. In this environment it is difficult to argue that a particular output measure indicates progress towards a particular outcome because there is not an unequivocal link between the two (Pallot, 1991). Causation cannot usually be attributed because of external factors which can also influence the outcome. Moreover, it is difficult for some public sector organisations to delineate where outputs end and outcomes begin. This problem is exacerbated by the political context of public sector activities which means that organisations’ objectives are constantly changing and performance indicators that measure outputs may be inappropriate proxies for the new organisational objectives (Pallot, 1994).

The logic of measuring outputs as a surrogate for outcomes is intended to circumvent problems with outcome measurement. However, the use of proxies changes the nature of the information that SSP’s provide and may also change the focus of organisations’ performance reporting analysis. Further, the use of output performance indicators can result in the most important aspects of performance being neglected in favour of those more readily measurable (Boston, Martin, Pallot & Walsh, 1996) and may promote a short term focus. The use of output measures creates problems because it is difficult to establish quantifiable and objective performance indicators (Guthrie, 1992). This problem is exacerbated by the multi-dimensional nature of the public sector which does not lend itself to simple unequivocal measures of performance (Stewart & Walsh,

1994). Further, because the output based performance measures are surrogates for related outcomes there is the possibility that irrelevant measures will be used (Thompson, 1997). Thus ease of measurement may take on disproportionate importance in the performance evaluation system and distort the performance information produced. In other words “when the right thing can only be measured poorly, it tends to cause the wrong thing to be measured, only because it can be measured well” (Oughton, 1994, p.5).

An output based performance reporting system creates a temptation to set indicators on an annual cycle and focus on achievement of objectives on a year by year basis (Likierman, 1993). One of the basic characteristics of public sector organisations is that tasks are generally undertaken on a long term basis and the benefits consequently accrue over a longer time frame (Nicholls, Andrew & Johnson, 1992). Specifically Thompson (1997) comments that the “failure to recognise the contribution of current inputs to the outputs and outcomes of future periods and of the inputs of previous periods to the outputs and outcomes of the current period are serious shortcomings of the model” (p.17). Thus the development of output based performance indicators should be tempered with an awareness of the risk of encouraging a partial and short term focus of performance measurement.

Practising Service Performance Reporting

Service performance reporting in the New Zealand public sector has proven challenging for government departments. By 1990 the New Zealand audit office had documented the difficulty that government departments were encountering when complying with the new financial reporting regime and concluded that SSPs were, on the whole, unsatisfactorily presented (Audit Office, 1990). This report indicated that only 24% of the public sector agencies required to prepare SSPs were doing so satisfactorily. A further 28% had prepared incomplete statements, and a significant proportion (35%) had made no attempt at all to comply with their statutory requirement to present a SSP. Further, although the Audit Office reported considerable improvement in departments ability to report on service performance by the 1994 financial year, service performance reporting remained a significant factor in the qualification of audit reports in that year (Report of Controller and Auditor General, 1994). These results suggest that initially government agencies struggled to come to terms with the unconventional nature of the annual service performance reporting requirement.

Ironically, although one of the chief arguments for using output based reporting is ease of measurement, public sector organisations’ found the greatest difficulty lay in identifying and quantifying relevant and accurate performance indicators (Oughton, 1994). Departments tended towards reporting on easily measurable aspects of performance at the expense of important dimensions of performance such as quality and cost (Pallot, 1991). Furthermore, the lack of measurability resulted in performance information being replaced by management commentary (Frost, 1994) which obscured the relationship between departmental outputs and specified objectives. Overall, links between performance indicators and stated objectives were either unclear and the quantitative measures of performance did not adequately address the actual objectives (Thompson, 1995). As a result of the 1994 audits of SSPs the Audit Office made a substantial number of recommendations to government departments designed to improve the quality of reporting. These recommendations primarily concerned department’s use of performance measures.

The experience of some New Zealand departments indicates that developing appropriate and relevant performance indicators has proved difficult. The 1994 report of the Auditor-General and Controller commented that although departmental service performance reporting had improved it was necessary for a number of departments to use more appropriate measures and avoid measures that are not relevant. The report also recommended that departments place “greater emphasis on important measures, rather than measures which are peripheral to the core business” (Audit Office, 1994b, p.26). Public sector organisations appeared to be preparing comprehensive and costly service performance reports which had little connection to the agencies’ key objectives and activities. The reporting system appeared inadequate for the full range of government activities and process based agencies continued to exhibit difficulty moulding their performance management systems to an outputs basis (Anderson and Dovey, 2003).

The New Zealand School Experience.

In 2002 the compulsory school sector in New Zealand comprised over 339 secondary and 2664 primary schools (McMahon, 2002). The student population of these school communities exceeds 700,000 individuals, each with their “own needs, unique experience and stage of development” (McMahon, 2002), p.5). In 2005-2006 this sector consumed \$5,470 millions of government funds representing nearly half of public education spending (Ministry of Education, 2006). The sheer degree of public expenditure that this sector absorbs endorses the accountability basis of school based statements of service performance. Further, the fact that education operates within the public domain and is the subject of often emotive debate suggests that schools’ ability to demonstrate the attainment of educational objectives is a necessary component of their overall performance. The requirement to present a statement of service performance was imposed on schools by Parliament as part of the 1992 Amendment to the Public Finance Act (hereafter the Act) and section 82 of the Education act. Under this legislation school boards of trustees are defined as crown entities and are therefore required to meet the external reporting obligations specified in section 41 of the Act. The essentially logical progression that as a crown entity schools were also required to prepare SSPs created some very real problems for boards of trustees.

The implementation of service performance reporting in schools involves addressing three themes (Audit Office, 1992):

- what are the outputs of schools;
- how can those outputs be measured;
- what are the appropriate target levels.

Together these issues compose an accountability framework which is intended to provide information on the level of service schools have achieved from the funds invested in them (Audit Office, 1992). However, as with other government organisations these areas have proved particularly difficult to develop. Boards of trustees face additional problems in preparing statements of service performance that are unique to the school sector. Service performance reporting in schools is theoretically problematic because it is difficult to identify and quantify

educational outputs that are adequate surrogates for educational outcomes. Further, it is difficult to distinguish between outputs and inputs in the educational setting. Additionally the process of “defining outcomes and putting in place robust systems for regularly measuring and reporting outputs and outcomes” (Gilling, 1994, p.5) presents significant challenges. Generally school trustees are unfamiliar with the theoretical distinction between inputs, outputs and outcomes and “still tend to express their objectives and aims in terms of utilisation of resources (inputs) rather than their mission or purpose (outcomes)” (Wynn-Williams, 1994, p.28). This problem is exacerbated because “indicators of outcomes are inherently difficult to measure especially in education which has outcomes valued differently by different sectors of the population” (Curran, 1998 cited in Singh, 1990, p.42).

Statements of services performance in schools pose measurement problems because educational outputs are often intangible and do not lend themselves to quantification. It is difficult to infer correlation between the output and outcome in an educational setting because “performance indicators are unable to distinguish internal performance from interpenetrating changes in broader social and historical conditions” (Singh, 1990, p.40). Schools are immersed within their community and an “assumed relationship between an indicator and a specific national educational objective may be distorted by the impact of other related factors, or by other important objectives” (Singh, 1992, p.40). Injudicious performance measurement in schools may introduce a short term focus which detracts from the essentially long term and socially constructed nature of educational goals. Special consideration needs to be extended to the conceptual problem of matching output to outcomes and inputs over a time frame which, in the educational environment, is invariably longer than a conventional measurement cycle.

The unique logistical features of the school sector provide further practical issues for service performance reporting in schools. Comprising nearly 3000 separate entities⁴ the pre-tertiary education sector is differentiated by the variability between the individual organisations. Most significant are the variations in size⁵, location, socio-economic status and organisational structure. Service performance reporting imposes additional administrative demands on schools and the associated costs may fall disproportionately on certain types of school entities. Specifically small schools located in low socio-economic or rural areas may be hypothesised to encounter both constitutional and mechanistic difficulties. These problems stem from the current structural arrangement whereby a board of trustees elected from a small rural community is expected to complete the same task as the board of a school with 1500 students and considerably larger skill base from which to elect trustees (Hitchiner, 1994). The cost and level of analysis required to transcend the inherent difficulties of service performance reporting may exceed the

⁴ This logistical impracticality of requiring these individual crown entities to table their financial reports in Parliament has been recognised by an amendment to the Public Finance Act that required the Minister of Education to table a report on the performance of the school sector in aggregate (Gilling, 1994). However, an important issue arising from this relates to the difficulty of consolidating the financial statements of nearly 3000 state schools whose reports “varied tremendously in terms of their quality and the amount, level and comparability of disclosures (Gilling, 1994, p.6). This problem is compounded when the essentially qualitative nature of SSPs is considered.

⁵ New Zealand schools can vary from rural one-room, one teacher operations to inner city schools with thousands of pupils.

expertise and resources of some boards of trustees. In this scenario the costs of the increased administrative load may exceed the “value which is derived from the information reported” (Hitchiner, 1994, p.18). Further, the effort required to prepare statements of service performance may frustrate school board members who perceive it as “a waste of precious time and money unless there are clear benefits for the children in their school” (Wylie, 1995, p.160). In general, school administrators doubt how “time spent allocating costs to different curriculum activities or wrestling with finding solutions to the question of how to show added value benefits the children involved” (Wylie, 1995, p.160).

Recognition of the fact that schools may encounter specific problems eventually translated into the issuance of reporting guidelines to all schools. Initially issued in 1993 these guidelines were met with a cool response from school principals. The 1993 New Zealand Council for Educational Research survey found that only 13% of principals responding to an open-ended question about SSPs were positive about them (Wylie, 1995). The other principals had a variety of concerns about these statements including 32% who were concerned with the work or time involved. 22% thought that the statements did not have any relationship with the schools’ performance, and a further 10% thought schools would not be able to make use of them for students’ benefit (Wylie, 1995). Overall the SSPs were “not seen as useful planning and review documents for people in schools, but rather as imposed and impractical extra administrative demands” (Wylie, 1994, p.30). Wylie (1995) asserts that the underlying reason for schools’ discomfort with the service performance reporting model stems from the “existence for both principals (trustees) and agents at the school level of a pre-existing and shared focus of accountability in the children they work with and relate to daily” (p.162). Thus the role of performance reporting as an accountability mechanism did not appear to be valued by the schools’ preparing these documents.

An additional set of comprehensive guidelines on service performance reporting was issued to schools in October 1995 and these emphasised the role of SSPs as public accountability documents. These guidelines outlined the necessity of school board of trustees to follow these forward looking steps (Ministry of Education, 1995):

1. Identify significant activities of the school.
2. Determine strategic and performance objectives for those activities.
3. Express those objectives in terms of outputs.
4. Develop suitable performance measures that enable the board’s progress in achieving objectives to be identified.
5. Set targets for the level of outputs to be achieved.
6. Monitor progress against targets.
7. Report actual performance against projected targets, may include description/explanation of variance or achievement.

The requirement to express objectives in output terms⁶ creates potential problems for schools. Educationalists tend to consider performance in terms of what their programmes have achieved in educational terms (Robinson & Halliday, 1994) rather than on the outputs of those programmes. Further, schools may be reluctant to report only on the output dimensions of their service performance because they “mistrust value judgements [which might evaluate] the worth of, for example, a costly (per student hour) remedial programme compared to using the funds for core curriculum purposes across larger number of students” (Robinson et al, 1994, p.42). Consequently it appears that schools “still tend to express their objectives and aims in terms of utilisation of resources (inputs) rather than their mission or purpose (outcomes)” (Wynn-Williams, 1994, p.28). Thus the process of identifying key activities, determining performance objectives and defining those objectives in terms of output was not intrinsically comfortable for school communities.

The conceptual division of outputs and outcomes applied to schools “holds schools accountable for the services they deliver, in particular the curriculum, rather than the effects of those services on students or the community” (Robinson et al, 1994, p.6). School principals indicated a lack of confidence about the meaning of this distinction and felt that this was related to “doubts about the applicability of these concepts to education” (Robinson & Halliday, 1994, p.19). Schools think that by omitting to report outcomes, or the effect of the programmes, the resultant statement is an inadequate report of what is happening in the school (Robinson & Halliday, 1994). For example a school may “offer an outdoor camp because they believe it will improve the confidence of children, help them learn outdoor skills and teach leadership” (Robinson & Halliday, 1994, p.36). In this context asking schools to report on outputs (the camp) rather than outcomes (the effects on the children) fails to recognise that from the school’s perspective these two elements may be integrally linked. This raises questions as to whether it is appropriate to assume that such a programme can be evaluated on programme delivery (outputs) alone (Robinson & Halliday, 1994). The very real possibility of an output driven system of service performance reporting is that it “undermines the responsibility of educators to constantly test the connections they assume between what they deliver and what is learned” (Robinson & Halliday, 1994, p.37). In this way there may be a concern that schools will end up focusing on outputs and lose sight of what has traditionally been important, which in the educational environment, is outcomes.

RESEARCH AIM

The purpose of this research to gather preliminary evidence of the specific problems that schools face in preparing statements of service performance in accordance with the Public Finance Act.

To achieve this aim the objectives are to:

⁶ This requirement derives from the Public Finance Act which states that “classes of outputs” must be reported on.

1. outline the process schools are currently undertaking.
2. identify the discrepancies in schools' performance reporting approaches as compared to the required steps.
3. collect information pointing to schools' perception of statements of service performance.

RESEARCH METHOD

The research was conducted using an exploratory case study approach. This method is particularly suitable for this research because the aim of the study is to provide preliminary evidence of schools' approaches to and perceptions of service performance reporting. An exploratory case study enables this objective to be met because they can be used to explore the reasons for particular accounting practices which then enables the researcher to generate hypotheses about the reasons for the particular practices (Ryan, Scapens & Theobald, 1992). The results from this study provide impetus for further empirical tests and theoretical development. Specifically information gained from this study is being used as the basis for further research into how to fit the model of service performance reporting to the pre-tertiary education sector. This initial case study represents the starting point in an ongoing programme of research which tracks the developments in New Zealand school reporting requirements. Recent legislative amendments in New Zealand suggest the government intends to persevere with a service performance reporting model for the education sector.

The research findings should be interpreted with regards to the nature of the methodological choices. External validity cannot be assured due to the adoption of the case study method. However, it provides substantive empirical evidence that New Zealand schools encounter specific and identifiable problems in attempting to prepare statements of service performance. The results of the study would be more compelling if multiple research sites were available⁷. Further, because the study was conducted by one interviewer there is the potential of interviewer bias to affect the internal validity. Researcher bias can include such things as observation bias, interviewer fatigue, an interviewers growing skill at conducting interviews and observer boredom (Haga & Zviran, 1994).

This case study took the form of semi-structured interviews. An interview schedule was prepared consisting of a sequence of open-ended questions. A number of these questions related to the Ministry of Education outline of the steps required to prepare statements of service performance in the school sector. This document was handed to participants at the beginning of the interview and the interview questions referred to it. The interviews were recorded and notes were taken to supplement the recording. The organisation is involved with schools throughout the South Island and deals with a variety of schools from one teacher units to large inner city secondary schools. It is involved in preparing full sets of financial statements for approximately 70 schools and assists another 10 with telephone advice. Thus the organisation is

⁷ This is addressed in the ongoing research programme.

familiar with the types of problems and questions that are frequently posed by schools in their attempts to prepare statements of service performance.

FINDINGS

Participants described schools' procedures when preparing statements of service performance. Schools were inconsistent in preparing service performance reports but they were invariably done retrospectively and were seen as something they had to do to comply with the financial reporting regulations. The schools generally "would ring them in March in the middle of doing the accounts and ask what was a statement of service performance, do we have to do it, do you have a copy of one that I can look at?" The steps that schools adopt for preparing statements of service performance do not correspond with the Ministry's guidelines. The general approach undertaken at the school level can be summarised as follows:

1. Realisation

The initial step schools undertake derives from an ad hoc realisation they are required to prepare this statement with their other financial reports. Their first action may be to contact a service centre for assistance or attempt to find an example of a statement to copy.

2. Verification

This step involves identifying activities that they can report on easily. This process dictates ignoring anything that is not easy to quantify.

3. Rationalisation

Finally the schools attempt to define the objective that is attached to the activity that they have decided to report on and phrase this in the correct terminology.

Thus schools typically undertake three steps in preparing statements of service performance reporting and these universally occur at the end of the financial year.

The statements of service performance are prepared using a backward focus rather than the forward planning focus implied by the Ministry's steps. The research indicated that schools experience a genuine problem in not knowing how to measure what they do and that this is reflected in the way they prepare these statements. Participants went on to suggest that as far as the schools were concerned the criteria for inclusion in the statement of service performance was what have we done that is easy to measure, can we find out how much it cost and did we actually budget for it? In this sense there was no attempt to define objectives for their key activities for statements of service performance and develop adequate proxies to measure their performance. Further, the processes associated with statements of service performance were "not slotted into the planning phase and are certainly not a tool for planning and budgeting in the school".

The most common approach appeared to be to "pick something they have done, try and find a loose connection with education and then word it in the right way in accordance with some guideline they found". Those schools that had attempted to set performance objectives never quite

made the distinction between objectives and output measures that demonstrated the achievement of those objectives. On the whole it appeared that the process of defining objectives would begin at the stage of reporting achievement of objectives. For example, implementation of a new computer system within the school would be reported as 'we decided to improve our data collection so we bought this and now we've got better collection of data'. Another example referred to a school that reported building a shade area for the children so they wouldn't be exposed to excessive sunlight. This statement was reworded to fit the objective of providing a safe environment for children.

A concerning pattern that emerges from the way schools prepare statements of service performance relates to the types of objectives that they choose to report on. For example, it was noted that adventure playgrounds, shade areas and community education programmes assume disproportionate importance and prominence in schools' service performance reports. Presumably this anomaly occurs because these items are easy to quantify. This suggests that a genuine question exists as to whether the things that are included genuinely illustrate the school's key activities and objectives in terms of educational value. Schools appeared to overwhelmingly include those things "that they can give a value to in terms of dollars and time". It was also stated that this organisation will sometimes (when answering phone enquiries) run through a list of possible output objectives as a starting point for them. At this stage the advice is general and standardised as they do not have sufficient knowledge of the school to identify specific objectives. The point here is that there is little analysis undertaken at the school level on how can they can report performance in terms of what their key objectives and aims are. This process may be interpreted as reflecting schools' belief that "their real focus is teaching kids and that that is where their real expertise lies".

Communication

Schools appear to be ill-informed about the requirement to prepare statements of service performance. Primarily schools seem to get the prescribed format for their statements of service performance directly from a support agency (such as the case site) or from the proforma model described in an early (1992) Ministry of Education circular. This circular contains reference to terms no longer used or required in statements of service performance and provides a brief, and unenlightening, definition of outputs⁸ but fails to outline the distinction between outputs and outcomes. An updated Ministry publication which constitutes the basic reference material for schools' financial reporting requirements includes two paragraphs on statements of service performance. The first states that schools must prepare statements of service performance but that these are not required to be audited (Ministry of Education, 1995a). The other paragraph paraphrases the characteristics of statements of service performance as prescribed in FRS 2. It also provides a definition of outputs in accordance with FRS 2: the goods and services produced by the

⁸ According to this document outputs are defined as "the services provided by the board of trustees for its students or for the Ministry of Education (Ministry of Education, 1992). Furthermore, it refers to the term output dimensions which is defined as the "criteria used to measure performance" (Ministry of Education, 1992).

reporting entity (Ministry of Education, 1995). It is noteworthy that nowhere in this document is an example of a completed statement of service performance. In terms of the communication links between schools and the Ministry, it was suggested that schools felt no-one was taking them seriously and therefore they didn't take service performance reporting seriously. From the schools' perspective there appeared to be some doubt that there is a serious expectation from the Ministry that schools will eventually be required to produce meaningful statements of service performance.

Perceptions

The strongest theme emerging from the study relates to the attitude of schools towards statements of service performance. Throughout the case study there was a strong sense of school dissatisfaction and contempt for the whole process. There are three elements that contribute to these school attitudes. Firstly, schools feel that it is an obligation that has been imposed on them with little regard for the time and resources they have available to complete the financial reporting requirements. Second, schools feel disconnected from the process because it is not part of what they do. They just don't see "finance as an integral part of what they do and it is just a means to an end". It is perceived as something they have to do to satisfy "someone up there and it takes them away from their real job". Thus it is seen as "just one more thing that they have to do and they haven't got time". The Public Finance Act was described as "just a big stick to hit them with". The third element of schools' attitudes relates to the accountability purpose underlying the service performance reporting regime. Although, service performance reporting was imposed in order to improve public accountability, schools generally overlook that aspect of their funding. The view was expressed that "they [schools] don't think about the fact that they are receiving government money and need to be accountable because they see what they are doing as a good and right thing and they are entitled to their money". The concept of service performance reporting is seen as something that is contrary to the educational setting and culture and is imposed by an external body. It is not considered in the context of a discharge of accountability. The primary accountability relationship perceived by "both principals (trustees) and agents at the school level [is of] a pre-existing and shared focus of accountability in the children they work with and relate to daily" (Wylie, 1995, p.162). In this context SSPs represent an external administrative requirement which is subordinate to the schools' interpretation of accountability.

This discussion raises questions about the language used in the statement of service performance model. Schools appear resistant to these terms because of the business orientation of the terminology and they attach negative connotations to these terms. Schools are unaccustomed to thinking of their activities in terms of attaining objectives, measuring outputs and reporting actual results against projected performance. This process involves the adoption of a mode of business discourse that has traditionally been peripheral in the educational environment. A statement was made that if you start talking about statutory reporting requirements they start to "tune out". Trustees serving on school boards are not required to obtain specific business training and are often unfamiliar with the accounting terminology inherent in service performance reporting. For example, one participant stated that when asked to explain performance indicators to schools she would paraphrase and redefine the concepts without using reference to business "jargon". Most of the people representing the schools needed to have the accounting terms paraphrased into

“some pretty basic language”. It was noted that unless they have accounting knowledge then from the school’s point of view it is like a foreign language. Thus one fundamental concern relates to the fact that schools are confronted with a business model framed by accounting terminology which is essentially alien to them.

Schools feel disconnected from the language of service performance reporting because they perceive that it does not recognise that they are dealing with people and learning. In response to a question about whether schools understand what is meant by outputs a participant answered that some would be offended by the word output. It was suggested that the term output would not be right for:

“people who fall into the little block where teachers/social workers fall into, they are not going to relate to that at all. In fact they would think that it is widgets in a factory whereas they are dealing with students and people”.

The imposition of a business model of service performance reporting results in problems because schools attach negative connotations to terms they see deriving from commercial practices. Thus schools may adopt an attitude of that it really doesn’t apply to us because it’s not appropriate for the type of things that we do.

CONCLUSION

Performance measurement in the New Zealand public sector has become increasingly important as successive governments have sought to improve the economy by improving the performance of the public sector (McCulloch & Ball, 1992). Service performance reporting in New Zealand has yet to be successfully applied to the pre-tertiary education sector. Further conceptual development and refinement of the model may improve the applicability of SSPs to the school sector. The current model has proved problematic in government departments for a number of documented reasons. This research was an attempt to identify the specific problems that small crown entities such as school boards encounter when preparing statements of service performance. A number of distinct themes have emerged. The research indicates the problems are more complex and widespread than those solely associated with the output outcome distinction. Firstly, schools adopt a purely backward focus to service performance reporting while the Ministry guidelines assume a forward looking approach. Second, the research also suggests that schools do not apply the output outcome distinction to their choice of objectives because they include any activities that are easy to measure in their statements of service performance. Objectives are then designed to fit these activities. Thus, this study provides some evidence of the reasons why schools do not prepare statements of service performance in the way intended by model.

Schools are reluctant to invest time and effort in developing meaningful service performance reports because participants do not connect it with the primary activity of optimising children’s learning. Statements of service performance are “not seen as useful planning and review documents for people in schools, but rather as imposed and impractical extra administrative demands” (Wylie, 1994, p.30). The administration of service

performance reporting is perceived as superfluous to fulfilling their primary accountability relationship to parents and children. Schools are inclined to take the view that the “resources that reach the school should go to children” (Wylie, 1995, p.160). Schools appear to consider the cost and time in preparing the document neither meaningful in terms of accountability nor warranted in terms of time and expenditure. Educationalists believe the underlying elements of inputs, outputs and outcomes are incongruous with an educational setting. Overall, this research suggests that schools are not prepared to devote sufficient time and resources to developing the model. There is a strong sense of possibility that without positive intervention school service performance reporting may lapse into a “senseless ritual, to be abandoned sooner or later as cost-ineffective” (Thompson, 1995, p.349).

POSTSCRIPT

A recent report by the office of the controller and auditor general (OAG) identified a number of concerns that persist in relation to service performance reporting by New Zealand crown entities. The OAG (2005-06) outlined its strategy for improving service performance information and noted that:

1. service performance reporting, in particular the “appropriateness of the service performance measures used, will be an area of emphasis in the 2006/07 annual audits;
2. this emphasis will involve reviewing 2007/08 statements to understand the strategic context, as well as the entities’ processes and rationale for including these.

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