'WHY CAN'T YOU JUST TELL THE MINISTER WE'RE DOING A GOOD JOB?'
Managing Accountability in Community Service Organisations

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SUMMARY

Community service organisations play a crucial role in the delivery of many social services while functioning from a strong values base often associated with a particular religion. They attempt to respond to the needs of multiple stakeholders. This creates a complex and sometimes ambiguous set of accountability relationships.

Government contributes significantly to the funding of most community service organisations, and often this is reflected in close working relationships between public servants in funding departments and managers of community service organisations. The nature of this relationship was changed as a consequence of a wave of public sector reforms beginning in the 1980s. These reforms aimed to increase the efficiency, effectiveness and accountability of government departments. Strategies adopted included funder-purchaser-provider models of service delivery, leading to the contracting out of some services previously provided by government and the adoption of more contract-like agreements with existing external service providers. This led to the development of additional mechanisms for measuring and monitoring performance. These were directed both internally towards public sector staff and externally to funded programs.

The community services sector's concern about the impact of reform on their functioning and survival provided the impetus for undertaking this qualitative study of the management of accountability in community service organisations in South Australia. Data were collected in 2000-2001 through interviews with community service organisation and public service staff, and through analysis of organisational documents related to accountability. Staff from twelve community service

organisations, and state and federal public servants participated. While the analysis shows the costs to community service organisations and the damage to their relationship with government resulting from reform, it also identifies improvements to the management of accountability in some organisations.

Governments at both state and federal levels have since adopted the language of partnership and collaboration. This occurred partly in recognition of the negative impacts of an over-zealous emphasis on distanced purchaser-provider relationships and partly from an increasing recognition of the failure of existing systems to resolve complex social issues.

Follow-up data were collected in 2004 that identified changes in the relationships between the community service organisations and funding departments, and in the community service organisations' management of their own accountability. Analysis of these data found a significance increase in formal relationships between community service organisations but limited change in the relationship with government.

Through an analysis of the impact of public sector change on community service organisations in South Australia, this thesis contributes to the understanding of inter-sectoral relationships and the management of accountability in community service organisations.

DECLARATION

I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any university; and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text.

Name: …………………………………...

Signature: …………………………….

Date: …………………………………….

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GLOSSARY OF ACRONYMS

ACOSS	Australian Council of Social Service
AGWA	Auditor-General of Western Australia
AIHW	Australian Institute of Health and Welfare
ARC	Administrative Review Council
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
CEO	Chief Executive Officer
COAG	Council of Australian Governments
CSFPWG	Community Services Funding and Planning Working Group
CSSR	Community Services Review
CSO	Community Service Organisation
CQI	Continuous Quality Improvement
DESQA	Disability Employment Services Quality Assurance Standards
DETYA	Department of Education, Training and Youth Affairs
DFC	Department for Families and Communities
DFaCS	Department of Family and Community Services

DHS   Department of Human Services

F&CD   Family and Community Development (State level funding program)

FBT   Fringe Benefits Tax

GST   Goods and Services Tax

HACC   Home and Community Care (Commonwealth level funding program)

HRCA   Health Rights and Community Action

HRSCFCA   House of Representatives Standing Committee on Family and

             Community Affairs

IC   Industry Commission

INGO   International Non-Government Organisation

IPA   Institute of Public Affairs

IPAA   Institute of Public Administration Australia

IS   Independent Sector

MAB/MIAC   Management Advisory Board/Management Improvement Advisory

             Committee

MoSP   Ministry of Social Policy

NCVO   National Council of Voluntary Organisations

NGO   Non-Government Organisation

NZ   New Zealand

OATBS   Office of the Auditor-General of Canada and the Treasury Board

OFV   Office for Volunteers

OH&S   occupational Health and Safety

PAGVS   Panel of Accountability and Governance in the voluntary Sector

PC   Productivity Commission

RSPCA   Royal Society for the Prevention of Cruelty to Animals

SA   South Australia

SAAP   Supported Accommodation Assistance Program

SII   Social Inclusion Initiative

SIU   Social Inclusion Unit

UK   United Kingdom

USA   United States of America

VSTF   Voluntary Sector Task Force

CHAPTER 1   INTRODUCTION

This chapter identifies the background and context of the thesis, and establishes the importance of community service organisations and their definition as used in this research. It argues the relevance of this thesis based on the importance of accountability for both the public sector and the non-profit sector, and the impact of public sector reforms on the community service sector.

Background

'Why can't you just tell the minister we're doing a good job?' A staff member of a non-profit community service organisation asked me this question during a pilot exercise attempting to develop outcome measures for a government-funded program. I was employed by the University and was working as a consultant to the government funding department. I had previously worked in a government agency which had close connections to a range of non-profit service provider and advocacy agencies. I was also a board member of a small non-profit community service organisation (CSO). These three roles – public servant, external consultant and board member – had provided me with different perspectives of the impact of government moves from grant funding of non-profit CSOs to purchaser-provider models of service delivery. I began to have conversations with managers in both public sector and non-profit agencies about these impacts, and was particularly struck by the challenges agencies described in managing accountability to government funders and the concerns they expressed about the impact of change on their service delivery (and accountability) to their clients. Since that time, more has been written about the impact of contracting from both practitioner and academic perspectives, reinforcing the extent of these concerns and the perception of damage to a cooperative

relationship between government and the sector. Recently, government discourse in Australia and elsewhere has emphasised the language of 'partnership' in regard to relationships with the non-profit sector. Partnership means different things to different people and use of the term may be influenced by different beliefs about the importance of power imbalance. If it is translated to a move away from a contractual framework, it suggests further challenges for the management of accountability and a need to develop different models. If it remains rhetoric, it risks alienating those in the sector whose expectations have been raised.

Focus of research

The aim of this thesis is to explore the meaning and understanding of the concept of accountability relationships of non-profit CSOs. In particular, the research focuses on the management of accountability within CSOs where government provides funding for the provision of some or all of their services. It seeks to identify changes in approaches to the management of accountability within CSOs resulting from the introduction of public sector reforms and a consequential use of purchaser-provider frameworks for the provision of human services. It also seeks to explore the implications of the introduction of a partnership discourse at both federal and state levels of government. In order to do this, it explores the literature of accountability in both the public and non-profit sectors, and analyses data from two sets of interviews with public sector and CSO managers in South Australia. The first interviews were conducted in 2000/2001 to explore the impact of purchaser-provider frameworks on CSO accountability. The second interviews, conducted in 2004/2005, aimed to identify changes in government-CSO relationships and management of accountability following the adoption of partnership language at both national and state levels of government. Thus the key research questions are:

- What do CSO managers understand accountability to be and how is it expressed in CSOs?

- To what extent did changes in the relationship with government funders resulting from public sector reforms affect the management of CSO accountability? [1]

- What implications does the concept of government-CSO partnership have for the management of accountability in the public sector and CSOs?

Community service organisations (CSOs)

Non-profit organisations are those which, while they may or may not achieve a financial surplus, do not distribute a profit. 'Non-profit', 'nonprofit', 'not-for-profit', 'non-government' and 'voluntary' are all terms used to group organisations which are neither commercial business organisations nor public governmental organisations. While the terms can appear to be used interchangeably, different authors include or exclude particular categories of organisation (eg credit unions) from their definitions, and common practice differs between countries. Organisations to which these terms are applied can include social and sporting clubs, professional associations, advocacy groups, foundations, social service agencies, private schools, credit unions and self help groups. They include organisations that: vary in size from tens to thousands of people; may be local to a small community or have branches throughout the country; have budgets which range from hundreds to millions of dollars; may undertake commercial activities; are comprised of paid staff and volunteers or volunteers only; may or may not provide services to non-members; and are governed by boards or committees that may be elected by members or appointed by sponsoring organisations.

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[1] 'Managing accountability' refers to CSO actions in identifying to whom accountability is owed and accountability for what, and how that accountability should be expressed, or as Behn (2003) asked 'how should who hold whom accountable for what?'.

Terminology varies across the world, including use of the terms 'not-for-profit organisations' (particularly in US), 'non-government organisations' ('NGOs', particularly with regard to aid organisations and organisations in developing countries), and 'voluntary organisations' (particularly in UK). Some researchers have reacted against the residual implications of the various terms prefaced by 'non' (Lohman, 1989), with concerns about defining a sector by what it is not, rather than what it is. 'Third sector', which avoids these criticisms, is a term used increasingly to group such organisations and distinguish them from the private sector, the state or government sector, and the household sector (though some economists may discount this as a sector as it does not involve income transfers). 'Sectors' are analytical constructs however, with no real existence, and the term has not been widely adopted outside academic circles. In this thesis I will use the term 'non-profit' unless referring specifically to the work of an author who uses another term.

It must be recognised that as well as being an artificial construct, the sector boundaries are 'fuzzy'. In practice, the distinction between public, private and third sector organisations is more blurred than the traditional view described by McNulty (1996), where private sector organisations undertake business and commercial activity, public sector organisations provide physical infrastructure and deliver services to the public, and non-profit organisations reflect special interests. In practice, third sector organisations may engage in commercial activities and make a profit, they may compete with private sector organisations for work, and governments contract with such agencies to provide services on their behalf. Government agencies and some private sector organisations use volunteers and both government and private sector organisations support non-profit organisations in various ways. Some organisations fit clearly in one or other sector, others overlap,

and organisations can 'move' between sectors (eg through de-mutualisation of societies, privatisation of government agencies and the creation of for-profit subsidiaries of non-profit organisations). The definition of sectors, however, allows the state to apply differential regulation, taxation and other policies. The implications of these policies, in particular on the organisation's financial health, can lead to conflicting interest groups using definitions as a part of political processes.

While recognising these difficulties and complexities, it is still possible to identify from the literature differences between the sectors. This thesis adopts Mark Lyons' (2001) definition of third sector organisations as those:

- that are formed and sustained by groups of people (members) acting voluntarily and without seeking personal profit to provide benefits for themselves or others,

- that are democratically controlled and

- where any material benefit gained by a member is proportionate to their use of the organisation. (Lyons, 2001:5)

It must be noted that not all third sector organisations provide benefits to members. Significant numbers that focus instead on providing services to those who are perceived to be disadvantaged. This study is located within this group of organisations. Non-profit organisations comprise those third sector organisations whose constitutions prohibit them from distributing any profit or surplus assets. In Australia, these may take a range of legal forms, although not all organisations choose to legally incorporate. Organisations that seek government funding, however, are required to be legally incorporated. The most common approach is incorporation under individual state or territory legislation, while some larger organisations incorporate as companies limited by guarantee under Commonwealth legislation.

While government has simplified business regulation, non-profit organisations remain answerable to multiple regulators, and inconsistencies in legislation and levels of monitoring by regulators exist across jurisdictions. It will be argued that this adds to the complexity of managing CSO accountability and increases costs to CSOs, thus reducing the service delivery capacity.

Non-profit organisations have a significant historical role in Australia, and, in some areas, a long-standing relationship with government. Non-profit schools and support for the poor and sick were provided with support from colonial governments, as well as funds from wealthy individuals and/or churches (Lyons, 1993). This history of government support of church-based welfare services differentiates Australia from the United States of America, where recent provision of funding to faith-based services agencies has generated controversy.

Community service organisations (CSOs) are a subset of the non-profit sector comprising those that:

> Provide support, care, encouragement and advice for people in a way that is primarily determined by them, involves some enduring pattern of interaction and is designed to remove the need for support or to enable people to achieve feasible independence or autonomy in their home and community, or a setting that as closely resembles this as possible. (Lyons, 2001:33)

Different organisations define community services differently, for example the Australian Council of Social Services (ACOSS), the Local Government Community Services Association of Australia (LGCSAA) and the Australian Institute of Health and Welfare (AIHW) provide overlapping but not identical lists of the types of services provided by a CSO. This thesis adopts the ACOSS definition of community

service organisations as those working in:

> …children's services, various forms of supported accommodation [..], various forms of support for people to enable them to remain in their own home, other forms of support and training to help people with disadvantages in the labour market to obtain work; child protection and substitute care; youth work; family support including counselling; financial counselling and emergency relief; information and advice; individual and class advocacy. (ACOSS cited in Ohlin, 1998)

Some CSOs (eg some disability support organisations) have developed from member support organisations through processes of expansion and professionalisation of service delivery. Some CSOs are also classified as charities and/or religious organisations. Classification of a non-profit organisation as a 'charity' provides taxation advantages for the organisation, including exemption from income tax, deductible gift recipient status, rebates to reduce fringe benefits tax (FBT) payable, goods and services tax (GST) concessions and refunds of imputation credits (ATO nd). Organisations classified as 'religious' can include separately incorporated associations that retain the auspice of a particular denomination or can be the welfare service delivery component of a church or denomination. Relationships between the different classifications are illustrated in Figure 1.
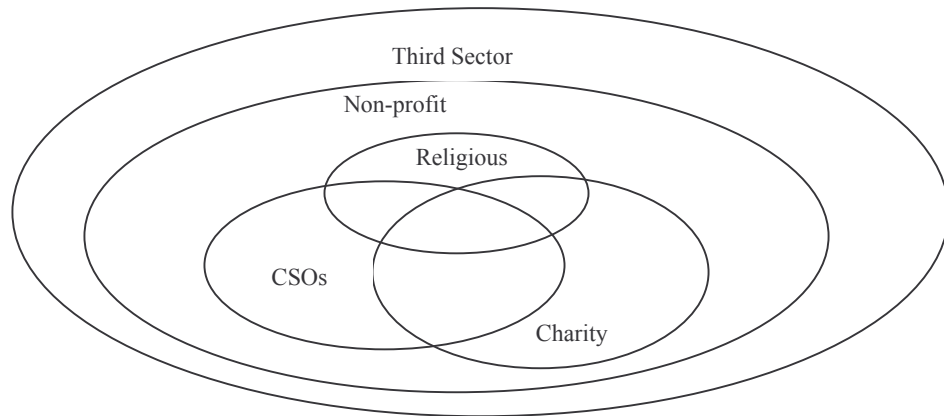
Figure 1:[2] **Relationships between types of organisations**

Table 1 provides an indication of the relative sizes of the third, non-profit and community services sector in Australia.

Table 1: **Economic dimensions 1995/1996**

	Third Sector	Non-profit sector	Community Services Sector
Operating expenditure ($m)	51 582	26 109	3 700
Income ($m)	58 953	27 393	3 870
Fees and Sales	37 128	14 851	770
Government	8 331	8 296	1 919
Fundraising	2 866	2 866	1 043
Other	10 629	1 380	139
No. employees	633 758	579 367	132 247

Adapted from Lyons, M. 2001. *Third Sector. The Contribution of Nonprofit and Cooperative Enterprises in Australia.* Allen and Unwin, Crows Nest, NSW: 31, 40.

It can be seen that the community services sector differs significantly from the larger categorisations of non-profit and third sectors in terms of the proportion of income received from government. In 2000-2001 governments contributed 69.9% of the funding for community welfare services – 31.6% from the Commonwealth government, 36.2% from state and territory governments and 1.5% from local government. In that year, organisations funded 11.5% of services of which 30.1%

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[2] The diagram represents relationships rather than relative sizes of each category.

came from the household sector in the form of client fees. The proportion of funding

provided by state/territory governments has increased in proportion to that provided

by the Commonwealth government since 1998-1999 and the proportion provided by

local governments has declined (AIHW, 2003).

The community services sector is of particular interest for a number of reasons:

- non-profit organisations have always played a significant role in this area
  (ACOSS, 1999);

- governments have long provided financial support to the sector, but the
  frameworks for the provision of that support have changed over time (Lyons,
  1997b);

- the sector is involved in activities in which it is often difficult to identify
  outcomes, or where achievement of outcomes requires long time frames (Knapp,
  Hardy and Forder, 2001);

- service users have tended to be excluded from agency decision making because
  of their needs or because of agency unwillingness to include them (Knapp et al.,
  2001). Users of CSO services include the most disadvantaged in society who
  have fewer resources to ensure their voice is heard;

- quality control and accountability are particularly problematic in human services
  because of the complexity of goals, limited resources and inexact 'technologies'
  (Bernstein, 1991).

Why this research is needed

The Australian Council of Social Services (ACOSS, 1999) has noted there was little

readily accessible and reliable research into the impacts of public sector reforms on

people, communities, social infrastructure and government administration. One of

the strongest conclusions of this investigation by the state and territory Councils of

Social Services (COSSes) was that there is a desperate need for well-constructed research and evaluation programs.

> If the reform agenda is to become more credible and effective, it must move quickly to an evidence-based footing. (ACOSS:5)

Therefore, research for this thesis sought evidence of the impact of government reforms on one aspect of CSOs – accountability.

The importance of accountability

There are two important reasons for the focus on accountability in CSOs. The concept itself is complex, leading to different understanding and use by different stakeholders, thus increasing the difficulty of developing appropriate accountability mechanisms. In addition there is an increasing awareness of the need for the development of a rational approach to the accountability of non-profit organisations in an environment where the legitimacy of many organisations is being challenged through failures in governance and criticisms of their representativeness (Slim, 2002).

Complexity

Lyons (2001) identified accountability as one of the major challenges arising from the particular characteristics of third sector organisations. While member-serving organisations could be expected to be accountable primarily to members, accountability in public-serving non-profits is less clear, with potential accountability to a number of stakeholders with different interests and levels of influence (Barritt, 1993; Buckmaster, 1999; Irvine, 2000; Kanter and Summers, 1994; McDonald, 1999; Nickols, 2000; Scott, Alcock, Russell and MacMillan, 2000). Some of these relationships are internal to the organisation (eg accountability relationships between

staff and boards) and others external (eg between the organisation and funders). This creates the potential for both complexity of management and tensions between different stakeholders' expectations and demands.

Brown and Moore (2004) argue that unlike other sectors where there are settled views based on legal systems of norms and expectation, the standards for non-government accountability are often ambiguous or non-existent. This means leaders have a degree of strategic choice in how they define stakeholders and accountability to them, and have some latitude in deciding how to prioritise and implement these accountabilities. While Brown and Moore are writing from an international non-government organisation (INGO) context, many of these arguments apply more broadly to non-profit organisations and to CSOs in particular.

Legitimacy derives from evidence that the organisation is producing something that individuals value, the political and social recognition of the organisation's right to exist (Brown and Moore, 2001). This recognition takes the form of constituent support for the provision of resources and voluntary effort. Legitimacy has been defined as:

> … the particular status with which an organisation is imbued and perceived at any given time that enables it to operate with the general consent of peoples, governments, companies and non-state groups. (Slim, 2002:6)

While there are both moral and legal bases of legitimacy, much of an organisation's legitimacy derives from the perceptions that the activities and roles are justifiable and appropriate in its particular context. It can be assessed in terms of widely-held values and norms, legal and regulatory requirements or widely held expectations of good practice - that is, its frame of reference is the wider context rather than the

specific stakeholder relationships (Brown, forthcoming). Organisations that speak or act on behalf of others or who provide services on behalf of government need to be able to establish their legitimacy in the eyes of a range of stakeholders. Accountability systems can enhance legitimacy in that mechanisms put in place to reassure stakeholders may be available to the wider community as well.

Legitimacy of community service organisations can come from the community as well as the state, the professions and institutional gatekeepers (Abzug and Galaskiewicz, 2001). As a result community based organisations may 'come to adopt customs, habits, ideologies, values and beliefs of these groups as their own' (Abzug and Galaskiewicz, 2001:53). Accountability can provide a mechanism of legitimacy for community service organisations. This concept is important in the broader context of increased criticisms of non-profit organisations, particularly that directed to activist agencies in Australia regarding their lack of legitimacy in policy debates (eg the Institute of Public Affairs (IPA nd) questions the transparency and accountability of NGOs and accuses them of harbouring 'illiberal elements').

Prominence

It is only recently that the issue of accountability in non-profit organisations has become central in studying these organisations Leat, 2004;(Ospina, Diaz and O'Sullivan, 2002). A number of trends can be identified as impacting on non-profit organisations that suggest an increasing importance of accountability:

- increased action and visibility of non-profit organisations in governance in Australia and internationally (Brown, forthcoming; Johns and Roskam, 2004);

- increased focus on the provision of services on behalf of government – this includes the use of contracts or more formalised agreements between governments and non-profit organisations, which has increased the emphasis on

performance assessment, accountability and transparency as well as leading to a redefinition of roles and responsibilities (Cooper, 1996; HRSCFCA, 1998; Ospina, et al., 2002). This could be expected to have increased the attention paid to external accountability generally, and towards government funding agencies in particular;

- a growth in professionalism which has increased the divide between management and service delivery in many organisations (Batsleer and Paton, 1997; Cooper, 1996; Leat, 1988; Taylor and Lewis, 1997). This could be expected to have increased the attention on internal accountability between management (including boards) and staff;

- an increased focus on user rights (whether as a means or an end) and service definition raised issues of accountability between users and organisations (Cooper, 1996; Leat, 1988; McDonald and Crane, 1995), increasing the external focus. As well as an increased awareness within organisations, government funding agreements in some program areas have required the introduction of consumer rights mechanisms;

- publicity around a number of scandals involving non-profits in a number of countries (Brock, 2000; Gibelman and Gelman, 2000, 2004; Herzlinger, 1996; Kearns, 1994, 1996; Schwartz, 2001;Young, Bania and Bailey, 1996). The resulting increased media and public profile of non-profits has increased an awareness of the place of external accountability;

- pressures on government to demonstrate accountability for their provision of funds to non-profit agencies (Henderson, Whitaker and Altman-Sauer, 2003), for outputs and outcomes, and to introduce collaborative and partnership arrangements between and within sectors (Aucoin and Heintzman, 2000). This could be expected to heighten the focus on the accountability relationship with government funders;

- failures of accountability in private sector organisations has increased community interest and awareness of accountability in both private and non-profit

organisations, with particular emphasis on the roles of boards and directors (Leat, 2001; NCVO, 2004). Changes to legal liabilities of boards and directors developed in response to these failures also apply to non-profit organisation. This could be expected to increase awareness of accountability issues within board and committees of management of and possibly to affect membership and/or strategies for recruitment of board members;

- increased public expectations about the expression of accountability of charities (PSRA, 2001; Reid, 2004). This could be expected to have increased the focus on internal accountability of non-profit organisations;

- increased involvement of non-profit organisations in for-profit activities as a source of fundraising or as a form of social enterprise has led to increased questioning of accountability (NCVO, 2004). This could be expected to increase the emphasis on external accountability and the existence of transparent accountability mechanisms; and

- greater recognition of pluralism in discussions of accountability in the public sector (Mulgan, 1997b) has influenced approaches to accountability in the non-profit sector. This could affect the management of accountability both directly (where service agreements/contracts specify accountability mechanisms) and indirectly (through 'diffusion' of language and practices).

Together these influences can be seen to have heightened awareness of accountability issues internal to non-profit organisations and in their relationships with external stakeholders. Lawry (1995:171) summarised the challenge for non-profit organisations:

> Given limited market regulation and no direct voter regulation, how non-profit organisations can be made accountable is a serious and long standing issue for the sector. The expectations and demands of various constituent groups associated with nonprofits are often conflicting and even contradictory. Nonprofits need to

come to terms with legitimate expectations, base them on
reasonable standards, and work through each of them in ways
consistent with the others and with the respective missions of the
organisations.

Accountability is also a significant theme in debates about changes to Australian
government administration (HRSCFCA, 1998; Mulgan, 1997b; Sinclair, 2001; Uhr,
1993). Public sector reforms have claimed improved accountability as an aim and
have emphasised the accountability for results or performance rather than
compliance with process. Non-profits could be expected to move in similar
directions through the existence of pressures towards institutional isomorphism
(DiMaggio and Powell, 1983). Public sector accountability is a focus of discussion in
other Western democracies, for example Romzek and Ingraham (2000) recognised
the tensions between 'rules and process' approaches to accountability and the need
for responsiveness. The Canadian Auditor General (1998) has noted the impact of
government change and the need to address public sector accountability.

The literature suggests an increasing concern about accountability in the discussions
about the changing relationships between government and non-profits (McDonald,
1999; PAGVS, 1998). Tang (1997) more strongly identified the impact of
contracting out on accountability and consumer redress mechanisms as negative,
despite arguments that managerialist principles enhance accountability. Instead, she
argued, the focus has been largely limited to financial accountability. This claim will
be further explored in Chapters Four and Six.

Accountability plays a critical role in governance, and there is an increasing potential
for influence and involvement of the non-profit sector in governance as governments
move to partnership models and include a broader range of policy actors in decision-

making. This has led to increased scrutiny of accountability mechanisms worldwide (Kim, 2004). Whether this has influenced non-profit management of accountability will be discussed in Chapters Four and Seven.

Public support and goodwill are central to the survival of CSOs. Therefore, development and maintenance of public trust are important aspects of accountability, and transparency is an importance mechanism in the establishment and maintenance of trust.

There has been an increased focus on accountability in other sectors since the 1980s. Issues of corporate governance in the private sector have an increased public profile, in the public sector reforms have directed attention to both accountability relationships and the practicalities of measurement, and there have been scandals and mismanagement in non-profit organisations in several countries. In addition, the overlap of areas of function and the funding relationship with government have ensured that the increased public sector awareness of accountability has been transferred to the part of the non-profit sector that receives government funding.

The impact of public sector reform on CSOs

Public sector reforms over the past two decades have aimed to make governments more efficient, more effective and more accountable. Many services formerly provided by government have been 'contracted out' to the private and non-profit sector. Also, many services which were previously provided by the non-profit sector under grant, subsidy or similar arrangements have now been moved into contract-like and sometimes market-like arrangements. Even where there has been little change to the actual processes of funding CSOs, the language of contracts has been adopted. This has led to a changed relationship between governments and CSOs (Kettner and

Martin, 1990; Lipsky and Smith, 1990; McFarlane and Roach 1999; Nevile, 2000) in a number of Western democracies, including the United Kingdom (UK), the United States of America (USA), New Zealand (NZ) and Australia. It is argued that these changes have affected the nature of the community service industry, the functioning of CSOs and more particularly the management of accountability within them.

Funding arrangements are not the only important aspect of the changed relationship between government and non-profit organisations. Government officers have had different roles in provision of support and advice, assistance with funding submissions, and monitoring performance. These aspects of the relationship have also been affected.

The introduction of contracts or more contract-like relationships appears to have led to some uncertainties and misunderstandings in both government agencies and CSOs, due to using a new language, changes to expectations and a requirement for new structures. In many cases this led to breakdowns in communication. Such difficulties are not unique. One USA study (Alexander, 1999) identified a number of consequences of public sector reforms on CSOs:

- bifurcation of sector – the pressure to professionalise is better able to be accommodated by larger organisations, smaller ones report spending less funds on service delivery than administration;

- an epidemic of need – an increasing need for services, with clients presenting with more complex issues;

- loss of 'public service' character – reduction in advocacy, research and teaching, and less focus on serving the most needy;

- difficulties in the maintenance of service delivery with dwindling

reimbursements;

- exodus of knowledge workers – movement of mid-level professionals from smaller to larger nonprofits and then to for profits, particularly where there is competition with for-profits.

The study supported the notion that non-profit social service agency capacity is linked to government funding (Alexander, 1999:59) and that funding is the most important indicator of service provision to lower income populations.

Another USA non-profit manager commented that it is 'as if one team came on to the field to play baseball and the other to play football' (Bernstein, 1991). Some authors have argued the move to a more formal contractual relationship has highlighted requirements for new skills on behalf of government employees as well as non-profit agencies – requirements that have not always been met. In Australia anecdotal evidence suggested there have been changes in the working relationships between individuals in government departments and services, with a movement away from partnership towards more distant, formal relationships. As a result, a number of jurisdictions began to formally recognise the wider relationship between service providers and funders (ACOSS, 1999).

After studying public sector, private sector and non-profit agencies involved in delivering employment services in Australia, Considine and Lewis (1999) argue that government reform strategies resulted in different work methods at the 'front line' of organisations, with three models of bureaucracy emerging – procedural, corporate/market and network. Among other differences, each has a different service delivery focus. Considine and Lewis (1999) argue that choices about contractors will therefore involve choices about service orientation, and by implication, will impact

on approaches to accountability questions. It is also argued that contracting can impact on the nature of the social contract between citizens and government (Blanchard, Hinnant and Wong, 1998), as administrative obligations which were formerly subsumed within government obligations start to fall within the market sphere. Again, this alters accountability mechanisms, making them less explicit.

As noted in the discussion paper *Working Together* (DHS and SACOSS, 1999), in South Australia there was only one major transfer of service provision from government to the non-profit sector at the State level[3]. There have been changes in the nature of the agreements between governments and funded services, however, and the formal adoption of a funder-purchaser-provider model (Robbins, 1997). This change has had, and will continue to have a wide range of impacts on non-profit organisations. Changes to services can occur as a result of funders' actual changed requirements or from the organisation's beliefs about possible future change or requirements. This raises interesting questions for the organisation about the basis for decision-making. Actual and potential changes include:

- structure and management framework changed to meet the requirements of a service agreement or contract;

- changes to the range or type of services provided;

- 'culture' changes at management, staff or organisational level;

- staff morale;

- impacts on viability of smaller organisations;

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[3] The opening of employment services formerly provided by the Commonwealth public sector to both   the non-profit and for profit sectors has since been more extensively studied.

- changes to the skill level/qualifications of staff;

- 'creaming' of clients to ensure positive outcomes and avoidance of clients who may require longer contact with the organisation; and

- seeking alternate funding sources.

South Australian context

This section provides a brief historical and policy context for the research. This is important because state governments have taken different approaches to the introduction of public service reforms, as they impact on relationships with CSOs. This research is confined to CSOs in South Australia.

It was not until the late 1960s and 1970s that non-profit community service organisations became active participants in welfare service provision in South Australia (Robbins, 1997). Provision of submission-based grants and subsidies led to increased activity and a close relationship with government in the area of planning for services. Public service reform in South Australia began in the mid 1980s and led to the identification of a need to formalise the relationship between the State Government and the community services sector with SACOSS representing the sector. This review examined the relationship between the State Government and non-government organisations. It was completed in October 1991 (CSSR, 1991) and found that the State did not have an effective process for the planning, funding and management of community services[4]. It recommended that a second stage review be established to consider the report's recommendations and establish a framework for a partnership between the government and non-government sectors. Issues raised in the

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[4]   Note that the review included health in its definition of community services. Health is not included in   the definition used in this study.

report included:

- inadequacy of industry data;

- under-utilisation of data;

- lack of integration of community services planning with other types of planning;

- lack of representation of key stakeholders in planning processes; and

- lack of integration between levels of government in planning.

The report on the second stage (CSSR, 1992) noted that while there was evidence of antagonism and distrust in the past relationship between the government and the sector, this was changing with the establishment of collaborative or partnership arrangements. It recommended the development of a formal agreement, protocols and representational arrangements driven by an implementation taskforce comprising non-government, State, local and possible Commonwealth government representatives.

The change of government which occurred in the following year identified expectations of savings, efficiencies, greater accountability and a change in terminology from funding organisations to purchasing services (Robbins, 1997). The government issued guidelines on contracting out and tendering in 1995, directed primarily at the private sector but which will be shown to have influenced the relationship between public servants and CSOs. Recognition of the need to take a different approach in the sector occurred in 1996 when the Department of Family and Community Services (FACS) released a positioning paper (FACS, 1996) on contracting in community services, which highlighted the importance of retaining the

positive aspects of previous forms of funding relationships while increasing the focus on outcomes, accountability and quality. However, as will be demonstrated through this research, the relationship was perceived as having been damaged by both public and community sector players.

Further work to rebuild the relationship occurred in 1998 when the community sector participated in a resource allocation project to scope the funding to non-profit community service organisations and identify a framework for future funding allocations. This project followed the 1997 amalgamation of government health and community service departments into a single Department for Human Services (DHS). This amalgamation brought together seven program areas, each containing a distinct mixture of funding allocation models, ranging from an uncontested historical model to contested open tenders. The project led to the production of the *Working Together* report (DHS and SACOSS, 1999) which noted the ongoing relevance of the issues and strategies proposed in the Community Sector Review. This report identified key issues as:

- roles and responsibilities;

- allocative frameworks and mechanisms;

- skills, competence and experience;

- accountability;

- incentives for integration and good practice; and

- operating in an environment of significant change.

It identified good practice in accountability as:

- clear lines of reporting and responsibility – from funders to purchasers to providers and to consumers – with transparency of processes;

- avoidance of onerous reporting requirements which create a burden for both providers and purchasers;

- accountability requirements based on service size, amount of resourcing and the length of time associated with service agreement;

- provision for dispute resolution and complaints mechanisms;

- commitment to ongoing improvement in the development of reliable and consistent data to support robust performance appraisal. (DHS and SACOSS, 1999:9)

Work continued on development of a memorandum of understanding to be signed between the funding department and SACOSS, but another change of government prevented its finalisation. It is interesting to note that while the relationship between the government and the sector was clearly damaged, there was limited change to the funding of services, with over 70% of the human service portfolio remaining in the historical 'uncontested category' in 1999 and less than 5% going to open tender (PAEC, 2002).

In March 2002, the new Premier announced a Social Inclusion Initiative designed to address complex social issues through bringing together government, non-profit sectors and local communities, including individuals. This initiative had particular policy objectives that became the focus of provision of additional funding through a Social Inclusion Unit. This unit did not directly purchase services with the funds, which instead were provided to the relevant DHS program areas.

Following criticisms about the movement of funds between the health and

community services the mega-department was disaggregated into a Department of Health (DoH) and Department for Families and Communities (DFC). At the instigation of SACOSS a new working group (the Community Services Funding and Planning Working Group), which included representatives of the DHS and SACOSS, was convened in April 2003. This group continued to function, including representation from both of the newly formed departments. Its terms of reference included:

- identify key issues in resource allocation practices;

- develop simpler and better arrangements for the funding and contracting of community services, including alternatives to tendering;

- establish principles and guidelines for the participation of service providers and peak bodies in the planning of programs and priorities for service development; and

- develop an explicit funding cycle for the range of funding programs administered by DFC/DoH and agreement on principles underpinning this cycle including transparency, timeliness and responsiveness.

This group has developed a planning and funding framework based on a Victorian model (CSFPWG, 2004) and developed a standard, 'plain English' form of service agreement, inviting the sector to provide feedback on draft documentation. The framework includes a reduced focus on competitive tendering processes and recognises the relevance of the community sector's role in service planning. It thus indicates a movement away from the purchaser-provider role dichotomy of the 1990s. Such a movement, at least on paper, has been confirmed by the development of a formal agreement, *Common Ground*, signed by the Minister for Health, the Minister for Families and Communities and the Chair of SACOSS early in 2005.

Researchers of the third sector come from an eclectic set of disciplines creating a rich, diverse literature. This thesis draws on the literature from the areas of public administration, public policy and sociology from international as well as Australian sources. It also uses the work of practitioners, which includes government reports and evaluations as well as sector views from the practitioner literature. While contracting can be approached as a political strategy, the focus of this research is on the technical and managerial aspects, and the implications the changing relationship with government has for managing accountability within CSOs. A substantial amount has been written about the impact of contracting in the USA, UK, Canada and NZ. While the role of non-profit services in the delivery of community services has been different in different countries, similar concerns have been raised in empirical studies. It would appear that many of the experiences and issues are the same despite the different starting points. In addition, governments have adopted similar strategies in public sector reform, which have stemmed from similar philosophical positions. This supports the value of considering the international literature. The initial literature review provided the basis for the first set of interviews in 2000/2001, which addressed the meaning of accountability for CSO managers and the impact of public sector reforms on the management of accountability within their organisations. During these interviews, the concept of partnership between government and CSOs had begun to be discussed but subsequently became more prominent in both the academic and government literature. Therefore follow up interviews were conducted in 2004/2005 to identify changes that might have occurred.

Summary

This introduction has identified the scope of this research and provided a brief overview of some of the issues to be addressed. It has identified the importance of the third sector and defined the study's focus as accountability in community service organisations in South Australia in the context of a changing relationship with government. It has touched on key themes – the importance and complexity of accountability and the impact of public sector reform on the relationship between government and the community sector. The approach to data collection has been summarised and will be described in more detail in Chapter 6.

Chapters 2 to 5 will review relevant literature and identify the questions that provided the basis for qualitative data collection. Chapter 2 reviews the literature on accountability and characterises definitions as 'narrow' or 'broad'. It reviews models of accountability developed for non-profit organisations. Chapter 3 reviews the literature and models of public sector accountability and describes the impact of public sector reform on accountability. Chapter 4 identifies key themes in the changing relationship between CSOs and government through the period of public sector reform. Chapter 5 reviews the emergence of the language of partnership to describe relationships with government, business and other CSOs.

CHAPTER 2   WHAT DO WE MEAN BY ACCOUNTABILITY?

In Chapter 1 it was established that accountability is both an important and complex issue for CSOs. This chapter discusses sources of the complexity in defining and describing accountability and identifies the elements of accountability relationships. This provides a theoretical framework for exploring accountability with CSO managers.

Studies of accountability tend to fit into different frameworks. Commonly used approaches (Fernato, 1999) include the identification of to whom and for what agencies are accountable (that is, they undertake a mapping task). Aspects identified can include mission/values, financial management, fundraising and legal requirements, human resources, communications, policy, organisational governance and stewardship, transparency and program outcomes (Panel of Accountability and Governance in the Voluntary Sector 1998). Another approach focuses on the mechanisms of accountability, emphasising responses to accountability in those areas. These can include governance procedures of boards of directors, government regulations and monitoring agencies, accreditation and certification processes, 'whistle blowing' and the media, external watchdog organisations, cyber-accountability, external evaluation and social auditing.

The literature acknowledges a lack of clarity about the concept of accountability (Buckmaster, 1999; Kramer, 1994; Mulgan, 2000b). Accountability can become entangled with discussions about efficiency, effectiveness, evaluation, control and responsibility. Indeed Kearns (1994:7) argues that it is a concept which is 'inherently ill structured'. Sinclair (2001), drawing on interviews of public sector CEOs, found

accountability could be understood as:

- A personal attribute or affect;

- An obligation bestowed or part of a contract;

- A property of a relationship (something exchanged for authority);

- A property of an authority structure; or

- An artefact of scrutiny.

Reviewing approaches to accountability used in the non-profit literature suggests the lack of clarity arises from three main sources.

Firstly, writers take different, often non-stated positions on a number of questions:

- whether an accountability relationship requires two parties, individuals or organisations (one party seeking answers, the other providing them) or whether it can occur internally, with an individual or organisation comparing their actions with internal values, or to the values of a broader group such as the community or the church;

- if there is a second party, whether there must be a formal relationship;

- if there is a second party, whether the expectations against which answers are sought must be explicit and formalised, or implicit;

- if there is a second party, whether answers can be demanded and/or sanctions or remedies applied;

- if there are sanctions, whether these are formal and applied (eg de-funding) or informal (eg loss of reputation leading to reduction in private donations);

- whether the emphasis is on giving an account to stakeholder(s) or taking into

account stakeholder views or needs.

A second source of confusion lies in the overlapping and occasionally interchangeable use of the terms *accountability* and *responsibility*. While these are widely regarded as related concepts, writers differ in their interpretation of the nature of the relationship.

Some see responsibility as the broader concept, not requiring a relationship to another party and having a clear connotation of freedom to act rather than an obligation to answer (Bergsteiner and Avery, 2002; Gregory, 1995; Mulgan, 1997b, 2000a). In this construction, responsibility precedes accountability and if the responsibility exists within a relationship to another actor, it creates an accountability within which one can hold the other to account. That is, accountability includes formal obligations while responsibility does not (Jordan and Van Tuijl, 2002 in Edwards and Fowler, 2002). Bovens (1998) sees accountability as one aspect of responsibility, describing it as a passive responsibility given that the 'calling to account' is after the event rather than being pro-active and aimed at preventing transgression. This is similar to Swords' (1999) idea of accountability as a positive-negative continuum, with negative accountability focusing on primarily ensuring financial and business transactions are within the law (prevention of abuse), while positive accountability focuses on whether the organisation is achieving its objectives and adding value to society (encouragement of efficiency and effectiveness).

Uhr (1993) saw responsibility and accountability as complementary, existing at ends of a spectrum where accountability 'constrains and fetters official discretion while responsibility releases discretion' (Uhr, 1993:4) and responsiveness exists midway

between responsibility and accountability. Fry (1995) also saw the concepts as complementary, equating responsibility with an individual's acceptance of a personal causal influence on an event, therefore creating expectations on which the individual can be judged. He differentiated between being held responsible by others (on the basis of collective agreement) and felt responsibility which is more subjective and based on individual perception. He linked accountability to the public component – 'accountability is the external part and felt responsibility the internal part of responsible behaviour' (Fry, 1995:184).

The differing views of the relationship are represented in Figure 2.
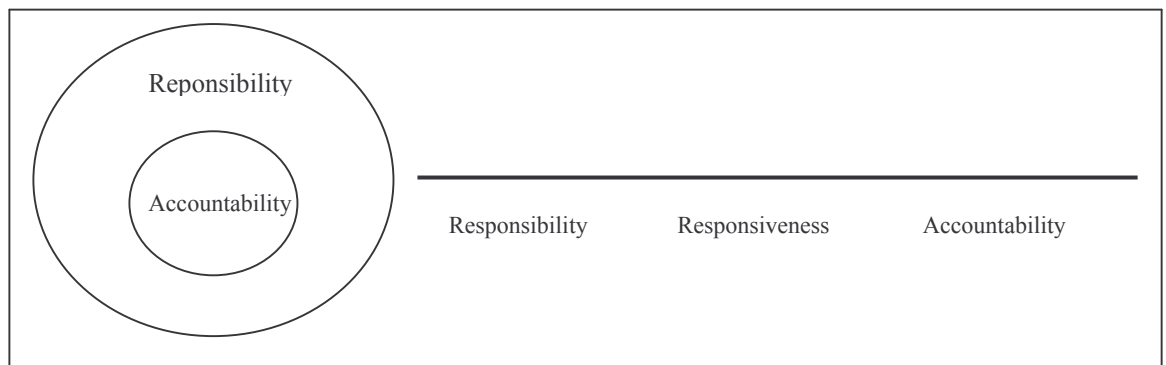
Figure 2:   Two views of accountability and responsibility

A third level of complexity arises from a lack of clarity as to the identity of the actors in the definitions and discussions of accountability. Organisations can be accountable as entities and individuals can also be accountable, either as representatives of an organisation or in the sense of all individuals forming the organisation, or as an individual to the extent that they have contributed to a decision/non-decision.

Not surprisingly, given these areas of difference, there is a plethora of definitions of accountability. These can be grouped into two categories: narrow and extended.

Narrow or 'core' definitions of accountability

The narrow or 'core' definitions of accountability have three central features:

- a requirement of externality: accountability involves the delegation of authority or assignment of a mandate from one actor to another, with the requirement of a social exchange where the delegating actor seeks answers and the accountable actor provides them (Cutt, and Murray 2000; HRSCFCA, 1998; Johnston and Romzek, 1999; Mulgan, R., 2000a; Panel of Accountability and Governance in the Voluntary Sector 1998);

- the right of the party which has delegated authority to demand an explanation (Cutt and Murray, 2000; HRSCFCA, 1998; Leat, 1998; Mulgan, 2000a; Panel of Accountability and Governance in the Voluntary Sector 1998);

- the right to impose sanctions (Leat, 1988, Mulgan, 2000a).

The Report on the Competitive Tendering of Welfare Service Delivery (HRSCFCA, 1998:23) reflects a narrow view by using the following definition of accountability:

> … a defined capacity by some person or institution to call an authority into account, in the sense of having to answer for its conduct; a responsible authority or person with a duty to answer and explain such conduct; an agreed language and criteria for judgment; and upward, downward, and outward reporting or answering processes.

These definitions (and others, eg Johnston and Romzek, 1999; Leat, 1988; PAGVS, 1998) suggest a level of formality in the identification of accountability, and could be argued to encourage responses at the negative end (prevention of abuse) of the accountability continuum, rather than the positive end (encouragement of efficiency and effectiveness). While the existence of two parties, one with a 'right to demand', does not preclude the existence of agreed or negotiated areas of responsibility, it is

more likely to result in a reactive approach by the party being held to account, and could limit the focus on enhancement and improvement of outcomes.

Broader meanings

Many writers explicitly or implicitly use a broader meaning of accountability. In some cases this involves the inclusion of a more extensive range of stakeholders than those with the capacity to delegate or assign a mandate or to impose any form of sanction. Those with an *interest* in disclosure of information (Cutt and Murray, 2000) may also be included. This is consistent with emerging stakeholder theory in private sector organisations (Barrett, 2001; Speckbacher, 2003) as well as the broadening of concepts of accountability in the public sector (Corbett, 1996; Heeks, 1998).

Barrett (2001) used stakeholder theory to justify the more extended concept of accountability. Stakeholder theory, which has developed substantially since the 1980s, was developed through studies of private sector organisations but can be related to the functioning of non-profit organisations. Donaldson (1995:67) argued that as well as descriptive and instrumental aspects, it has a normative basis which states that:

- stakeholders are persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity, whether or not the corporation has any functional interest in the stakeholder;

- the interests of all stakeholders are of intrinsic value;

- stakeholder management requires, as its key attribute, simultaneous attention to the legitimate interests of all appropriate stakeholders.

Stakeholder theory has linked with the growing literature on corporate social responsibility (and 'social accounting' as an accountability mechanism) and ethics.

Clearly the identification of who are the appropriate or legitimate stakeholders becomes a critical question for organisations taking a broader perspective of the management of accountability. Steering a course between a narrow definition that requires an explicit or implied contract with the firm and the broadest view of anything influenced by or influencing the firm, Barrett (2001:85) suggested the following definition:

> … stakeholders are identified through the actual or potential
> harms and benefits that they experience or anticipate experiencing
> as a result of the firm's actions or inactions.

This leads to claimed rights or interests that may be 'legal or moral, individual or collective' (Clarkson, 1995:106). Clarkson went on to distinguish primary stakeholders, 'without whose continuing participation the corporation cannot survive as a going concern' from secondary stakeholders 'those who influence or affect, or are influenced by or affected by, the corporation' but who are not essential for the corporation's survival. Within CSOs funders, whether government, corporate or individual donors, clearly fall within the category of primary stakeholders while the place of clients or service users is more complex. The CSO has no reason for existence without these stakeholders. However, there is a risk that this is not recognised, as there may be more potential clients than could be managed and service users may not have any choice of provider.

Looking at the public sector, Corbett (1996) proposed an extended concept of accountability, adding inward, outward and downward to the traditional Westminster upward accountability. These provide for accountability inward to both conscience and codes of ethics and values, outward to clients and other external stakeholders, and downward to staff.

The extension of a requirement for accountability to a broader range of stakeholders leads to a requirement for a responsiveness to stakeholders, whether or not there are processes or exchanges to elicit it. Clearly not all stakeholders could be seen to have assigned a mandate to a non-profit service provider. The broader conception removes the emphasis on the *right of authority* of the actor to whom accountability is given to demand an account. Instead, expectations are implicit, or if explicit, can also be generated internally. In some circumstances, answers or remedies cannot be demanded, but instead are offered voluntarily by the accountable actor. Brown and Moore (2001) addressed this by using the concept of a promise that legitimises the stakeholder's interests rather than a demand arising from a formal mandate or delegation of authority.

If we accept the legitimacy of implicit expectations, we need to identify the source(s) from which they arise. Kearns (1994, 1996) identified implicit standards arising from general societal norms and values for non-profit organisations, while Johnston and Romzek (1999) and Loffler (1999) include professional accountability in their models of accountability in the public sector and in government partnerships respectively. Dicke and Ott (1999) included a category of moral/ethical accountability to describe standards arising from conscience, organisational norms, standards and concerns for the general welfare when looking at accountability mechanisms in human services contracting. Even Leat (1988), while initially appearing to argue for the narrow definition, also recognised the existence of less formal accountabilities, identifying these as existing where there is a feeling that accountability is owed to a community of 'others'. She seemed to attempt to contain this within the core definition by including communal accountability as a source of the right to demand an account along with a structural mandate derived from

structures of hierarchies, or structures within an organisation or social structure.

A second extension of the meaning of accountability is recognition of accountability in situations where only one party is involved. These broader understandings of accountability include notions of:

- individual personal or professional responsibility that is internally adopted, rather than externally imposed, that is, only one party is involved; and

- internal organisational responsibility that is linked to explicit or implicit values or religious beliefs, again where only one party is involved.

The broader definitions have common threads of the importance of values and commitment. These are traditionally often argued to be a characteristic of non-profit organisations. Brown and Moore (2001:570) remove the requirement for a second party by defining accountability as recognition by an individual or organisation that 'it has made a promise to do something and accepted a moral and legal responsibility to do its best to fulfil that promise'. If an actor is required to have both a moral AND legal responsibility it is still narrow, but if adapted to being a moral OR legal responsibility it allows for accountability to values and mission. Similarly, the Canadian Auditor-General and Board of Treasury (1998) proposed an extended definition of accountability:

> Accountability is a relationship based on the obligation to
> demonstrate and take responsibility for performance in light of
> agreed expectations.

This definition allows for the obligation to be internally generated and the expectations to be negotiated or offered.

Organisations may differentiate their accountability to different stakeholders on the

basis of their different interests and different levels of response. Brown et al.

(2004:6) identified three grounds for accountability for international non-government

organisations (INGOs):

- moral – answerable in terms of core values of society, domain or organisation;

- legal – answerable in terms of laws, regulations, formal policies;

- prudential – answerable because the stakeholder can impose high practical costs
  for failure to respond.

The prudential category could be argued to overlap the legal and moral bases rather

than being discrete. Categorising stakeholder interests and potential responses allows

organisations to review their accountability mechanisms and identify both gaps and

areas of redundancy.

A number of concerns have been raised about the broadening of the definition of

accountability. Moving beyond the core elements of the definition increases the

extent of subjectivity about whether accountability exists and the extent to which it

can be operationalised (Gregory, 1995). Mulgan (2000a) suggested that academics

rather than reality were driving the extension of meaning, and claimed that while

such broadening is understandable it weakens the importance of external scrutiny.

Edwards and Hulme (2002) identified risks in extending the stakeholders to whom an

actor is accountable, claiming this may lead to over-accounting because of multiple

demands, or to under-accounting if each stakeholder assumes another is addressing

accountability.

Authors such as Brooks (1995) attempted to limit the concerns by proposing a

layered model, differentiating core accountability (labelled 'direct') from

accountabilities where there is no formal authority (labelled indirect).

Section summary

This section has described a range of disparate views on the meaning of accountability illustrating how it can be classified as broad and narrow based on differences along dimensions of the number of parties, basis of authority to hold to account, responses of the party to whom accountable and the mechanisms of accountability. These are summarised in Table 2.

Table 2:   Characteristics of narrow vs. broad Understandings of accountability

	Narrow	Broad
Number of Parties	*Two*	*One or more*
Basis of authority to hold to account	Formal delegation Legal mandate	Formal delegation Legal or structural mandate Moral or ethical values Prudential action
Response to failure by party to whom accountable	Demand explanations Impose sanctions	Demand explanations Impose sanctions Withdraw from relationship Attempt to influence change Publicise deficiencies
Mechanisms of accountability	Reporting of information	Reporting of information Seeking the views of stakeholders and taking them into consideration in decision making Examination of conduct against standards

Enabling dialogue on accountability between stakeholders requires use of a common language and at least an understanding of other parties' constructions of accountability. The next section builds on the discussion of the definitions by

reviewing models of accountability developed for both the non-profit and public sectors to see if they add to the understanding of what accountability is and how it functions within the non-profit sector. The range of beliefs about the meanings of accountability means an examination of models, taxonomies and frameworks may be useful in identifying assumptions not explicit in definitions and in providing a basis for the examination of accountability practices in organisations.

Models of accountability

The value of models

In 1994, Kearns argued that the literature on accountability was 'behind the curve', and that while there was some discussion on issues of compliance and financial accountability, accountability from conceptual, managerial and policy-making standpoints was not covered. He blamed this on a lack of research and omission from courses in tertiary institutions (Kearns, 1994:186). Since then there has been an increase in both academic and practitioner literature on non-profit accountability, and a number of models and frameworks looking at accountability in the non-profit and public sectors have been developed particularly in public sector contracting relationships.

Reasons why models or frameworks of accountability can be useful, with different audiences seeking different ends, include:

- to increase understanding of the meaning of accountability within the non-profit context by academics, practitioners and government funders and regulators;

- to assist communication about accountability requirements and expectations between disparate groups in the context of an increasing focus on inter-relationships between sectors (eg including an increase in the number of arenas in which non-profit and for-profit enterprises compete with the introduction of the

job network; the promotion of business-non-profit collaboration by Prime Minister Howard (Australian Government, 2004); and the increase in the use of contractual language in public-non-profit relationships);

- to provide templates for research on similarities/differences between organisations, and across types of organisations, and to contribute to conceptualisations of organisational effectiveness; and

- to assist organisations (and funders) with developing effective mechanisms of accountability. The increased emphasis on outcomes and performance measurement introduced as part of public sector reforms has translated to an increase in accountability mechanisms required from non-profit providers. There appears to be an ad hoc approach to their introduction by government departments, resulting in an overlap and duplication of reporting requirements and consequential drain on resources and negative impact on non-profit organisations.

The challenge is to develop a model of accountability that provides both conceptual clarity and a guide organisational practice. A model can mean a representation of the real world or a standard to enable imitation or evaluation - it can have both normative and descriptive aspects. Frameworks tend to be normative and taxonomies descriptive, but again these terms are used loosely in the literature.

A number of writers have identified criteria for comparing models or for assessing frameworks. Bovens (1998) provided three criteria for evaluating models:

- To what extent are the various constructions of accountability and conceptions of responsible conduct within organisations *effective* in controlling complex organisations? This addresses the practical requirement but is open to debate about the meaning of effectiveness, which may also be defined differently by different stakeholders.

- To what extent are these constructions and conceptions *acceptable* from a

normative (moral, political or legal-philosophical) point of view? This addresses both the conceptual and practice requirements.

- To what extent, in light of the answers to the first two questions, are these constructions and conceptions *feasible,* given the daily practices of complex organisations? This addresses the practical requirement.

He suggested that controlling, normative and practical aspects cannot be separated in terms of research and evaluation, and also called for:

> …a precise taxonomy of those to whom some answerability is
> required and of the legitimate standards or expectations that each
> of these persons or groups may have. (Bovens, 1998:175)

Cutt and Murray (2000) focussed solely on the practical aspect in their identification of criteria for the assessment of frameworks for accountability:

- clear definition of constituencies – to whom and for what accountability is owed;

- what sort of information is required;

- how that information is produced, communicated and validated; and

- how the information is used and what consequences result.

The Canadian Auditor-General (2001) also emphasised the practical aspect in his criteria for accountability for collaborative partnerships involving government and non-government sectors:

- a clear and agreed framework;

- clear roles and responsibilities;

- balanced expectations and capacities;

40

- credible reporting; and

- reasonable review, program evaluation and audit.

Practitioners are likely to be interested in models that assist in explaining how accountability works within an organisation, who the actors are in an accountability relationship, what the expectations are of the accountable actor and how these can be expressed. Such a model should deal with potential conflicts in accountability arising from a multiple stakeholder perspective. Academics may add to these additional questions about the theoretical frameworks within which accountability is debated and the impact on social policy of changes to the relationships between CSOs and government. For example, Walker (2002) noted that accountability is not a neutral concept but is embedded in theoretical frameworks, and argued that:

- Neo-liberal theory leads to two models of accountability – a stakeholder or business model and a contracting model. He argued that these are contradictory, as recognition of accountability to multiple stakeholders leads to conflicts of contracts, and are also likely to be narrow as the focus tends to be on fiscal accountability.

- Social democratic theory leads to the concept of ministerial responsibility but also to the use of appointed experts (commissioner/ombudsman) to make bureaucrats accountable.

- Communitarian/associationist theory leads to a broader definition of accountability including financial, political moral and social accountability, based on relationships of reciprocity.

Examples of models

This section reviews some of the models of accountability developed for non-profit organisations in domestic and international contexts. It identifies the parameters of

each model, considers the contributions each makes to increasing understanding of accountability, and assesses its practical value using Cutt and Murray's (2000) criteria.

Leat

Diana Leat (1998) was one of the earliest writers on CSO accountability. She wrote from a UK domestic perspective and identified three types of accountability:

- Accountability with sanctions, which involves the right to require an account and apply sanctions.

- Explanatory accountability, which involves the right to require an account, but not to apply sanctions.

- Responsive accountability, which depends on one party seeing itself as accountable to another and trying to be responsive to their views or needs. (Leat, 1998:20)

She also identified three sources of the right to accountability:

- Structural – arising from structures or hierarchies.

- Delegated – arising from formal acts of delegation.

- Communal – arising from the beliefs of those who are accountable.

Structural accountability may be explanatory or responsive, delegated accountability could be either explanatory or involve sanctions and communal accountability would appear to be linked to responsive type. Both delegated and structural accountability fit within Brown and Moore's (2004) 'legal' basis of accountability, and communal accountability is congruent with their 'moral' category.

Leat (1988:39) goes on to identify four categories of things for which CSOs may be accountable:

- Fiscal accountability – proper use of funds.

- Process accountability – following proper procedures.

- Program accountability – quality of work.

- Accountability for priorities – the relevance or appropriateness of work.

Leat's taxonomy recognises a broader meaning of accountability through the category of 'responsive' accountability stemming from a communal mandate. It has a conceptual focus and is directed at an organisational level. While primarily descriptive it is useful in clarifying the dimensions of the complexity in the use of the term and could therefore provide a basis for dialogue between different stakeholders. It satisfies Cutt and Murray's (2000) criteria of defining constituencies and the type of information required, but does not address the practicalities of implementing accountability mechanisms. The limitation of program accountability to quality of work is surprising. Both outputs and outcomes of work might be expected to be part of program accountability.

Kearns

Kearns' 1994 model attempted to provide both a classification scheme for definitions of accountability and 'a framework for analysing alternative tactical or strategic responses to external forces' (p. 187) for non-profit organisations. He identified the benefit and purpose of the model as the enabling of both national and inter-agency discussion of policies on accountability, and intra-organisational discussions on strategy and tactics. He identified the need for a non-profit framework because of the

inappropriateness of public sector conceptualisations. His examples come from a

USA domestic non-profit organisation perspective.

		Mandate for External Control	
		Implicit (Defacto)	*Explicit (De Jure)*
Internal Response System	*Reactive (tactical)*	Negotiated Accountability - arising from societal values or beliefs or emerging political trends, not yet codified or tightly defined. Action may require negotiation between agency and environment. Can be response to crisis or more gradual shift by adoption of practice of another organisation which is believed likely to be imposed.	Compliance Accountability - explicit performance standards or procedures imposed and enforced by outside stakeholder
	Proactive (strategic)	Professional/discretionary Accountability - agency seeks to internalise professional standards in context of changing expectations as above, but agency responds proactively eg quality improvement	Anticipatory/positioning accountability - agency attempts to influence the making of explicit requirements

Adapted from: Kearns, K. 1994. 'The Strategic Management of Accountability in Nonprofit Organisations. An Analytical Framework', *Public Administration Review,* 54(2).

Figure 3:   Kearns' 1994 model of accountability

Kearns' 'system of accountability' (Figure 3) classified accountability within two

dimensions - the mandate for external control (explicit or implicit) and the timing of

the agency response. He incorporated these two dimensions into a conceptual

framework of four types of accountability.

Kearns (1994) acknowledged his adoption of the Romzek and Dubnick (1987) focus

on the *means* of accountability (see discussion of public sector models below). His

framework focussed on organisations and did not address questions of individual

accountability within the organisation. He placed control external to the organisation. Even the category of implicit standards does not cater for internal values or norms specific to a particular organisation but instead refers to norms and values that are generally accepted by society. This category would clearly be contestable in most organisations. Kearns' use of the term 'professional standards' seems loose. He used as an example the adoption of Total Quality Management (TQM) because networks of managers see it as good practice, whereas the term more commonly implies connection to a particular profession. The TQM example implies the existence of normative isomorphism (see Chapter 4) in the sector.

The framework supports the broader definition of accountability through its recognition of implicit standards as well as formal compliance aspects involving explicit standards resulting from law, regulations or contractual requirements. The inclusion of implicit external control moves the understanding away from the narrow definition while retaining the sense of mandate. The model makes some attempt at defining constituencies. While not meeting Cutt and Murray's (2000) other criteria for practicality it clearly has a dynamic focus on the implications and operationalisation of accountability within an organisation, making a useful model for reviewing and considering actions within organisations. It could be used in planning and reviewing the existence of appropriate mechanisms within an organisation but would be of less value in framing discussions between stakeholders.

Kearns (1996) later modified the model by changing the 'mandate' dimension to 'accountable for what?' (see Figure 4) and adding another dimension of 'accountable to whom?'. It differentiated those with a formal mandate into locations of internal and external, and acknowledged the place of stakeholders without any formal

authority. This is a much clearer move away from the narrow concept of accountability.
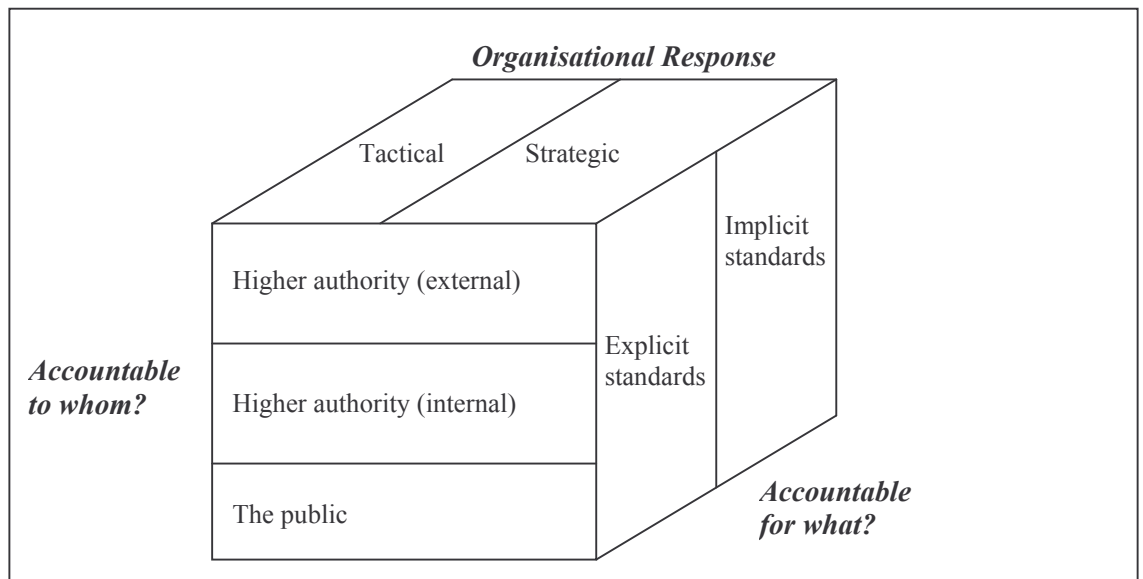
Kearns, K. (1996*). Managing for Accountability. Preserving the Public Trust in Public and Nonprofit Organisations*. Jossey Bass, San Francisco: 43.

Figure 4:   The accountability cube

Again, the primary value in this model is the capacity for organisations to use it as a practical tool for reviewing practice, which was its development objective. Kearns has developed an accountability auditing tool from this framework which includes self administered questionnaires. These would link effectively to strategic planning processes in non-profit organisations. Two thirds of the 1996 book focussed on the framework's use as a tool in strategic management and audit, plus case studies and worksheets. It is directed at the organisational level. The inclusion of the dimension 'accountable to whom?' makes this model more useful than the earlier one as the basis for discussion with stakeholders as it clarifies the identification of stakeholders.

International non-government organisational (INGO) Perspectives

A number of writers consider the question of accountability in international non-government organisations (INGOs). Their perspectives are useful in that INGOs rely on partnership arrangements with governments, donors, businesses and other non-profit organisations in carrying out their mission. Therefore, their approaches to managing accountability may prove useful for domestic non-profit organisations in the context of the increasing emphasis on partnership (see Chapters 4 and 7). Writing within the context of development and environmental INGOs, Brown and Moore (2001) also linked accountability to strategy through a stated requirement for accountability emphases to advance the organisation's strategy, and identification of a range of different stakeholders and accountability structures based on strategic choices (between service delivery, capacity building, and policy and institutional influence). They went as far as advocating changes in organisational conceptions of accountability as strategic choices, with vision and function enabling prioritising of stakeholder claims for accountability.

Brown and Moore matched stakeholders to what they identified as the three purposes – creating public purpose or value, mobilising support to achieve that value and delivering program results that support the public value. Stakeholders have different interests in each of these purposes and different stakeholders will be involved, depending on the organisation's mission (see Figure 5).

	Service delivery INGOs	**Capacity-building INGOs**	**Policy and Institutional Influence INGOs**
INGO Mission focus	Deliver goods and services to less served beneficiaries.	Empower and build capacities of clients for self-help	Foster political voices of under-represented constituencies
Value creation stakeholders	Service beneficiaries	Capacity building clients	Policy constituents Policy influence targets
Support and authorisation stakeholders	Donors and other resource providers Technical service experts and regulators	Donors and other resource providers Capacity building experts and regulators	Donors and other resource providers Policy experts and regulators General public and media
Operational capacity stakeholders	INGO staff members Partners or allies in delivering services	INGO staff members Partners in building capacities Client co-producers of capacity	INGO staff members Allies in influence campaigns Members represented by INGOs in campaigns

Brown, L. D. and Moore, M. 2001. 'Accountability, Strategy, and International Nongovernmental Organisations', *Non-profit and Voluntary Sector Quarterly*, 30(3):579.

Figure 5:   INGO accountability

Brown and Moore's (2001) model is conceptual and adds value through its categorisation of stakeholder groups. While some organisations would be expected to combine two or more of the functions identified and few would fit clearly into a category, the classification is useful both in recognising that objectives are not uniform and in identifying the different interests of particular stakeholder groups. While this framework could be adapted as easily to the wider range of non-profit organisations, the conception of accountability is limited to answering the question 'To whom (or what) and for what is the organisation accountable in each of the three categories?'

Without addressing the question of 'accountable for what?', the model provides limited practical application and fails to fully meet Cutt and Murray's (2000)first criterion. However, it could provide a useful tool for organisations to clarify their

own understanding of who their stakeholders are and could be useful to funders and donors in highlighting differences resulting from different organisational missions, hence providing a basis for dialogue. Accountability mechanisms could be reviewed within the framework provided to determine the extent to which they meet different stakeholder needs.

Edwards and Hulme (2002), citing Avina (1993) and writing from an international perspective, focussed on the questions 'what are we accountable for?' and 'how is that demonstrated?' They differentiated functional accountability (for resources, resource use and immediate impact) from strategic accountability (the broader and longer term impact on the wider environment, or 'outcomes' in other models). This satisfies Cutt and Murray's (2000) second criterion. The inclusion of immediate impact in a category with resources seems inconsistent in light of the difficulty in measuring impact. The inclusion of output in that category would appear more logical. Edwards and Hulme (2002) identified three accountability capacities needed by stakeholders:

- capacity to demand reports and information;

- capacity to appraise reports and information; and

- capacity to operate sanctions.

They suggested that each of these capacities could be evaluated at both a functional and strategic level. This approach adds value through the recognition of difference in organisations' short and long term objectives, however, given the difficulties in the measurement of longer term outcomes, application of the model would be difficult to assess and monitor. Differentiating the capacities to demand and appraise raises

issues of stakeholder skills and knowledge, the importance of accountability mechanisms' fit with organisational objectives and the capacity for organisations to provide information and stakeholders to be able to interpret it.

Najam (1996) identified similar problems to Kearns (1996) - the overemphasis on financial aspects of accountability leading to a lack of attention to accountability to clients and the organisation's own mission. He aimed to develop a conceptual framework that which would be applicable across categories of NGOs. Accordingly, he simplified the 'accountability web' to three categories. Two of these were external – patrons who supply goods and services, and where failure to meet expectations (explicit or implicit) leads to withdrawal of support and clients (who are provided with goods and services). This means that in a membership organisation the members would be both patrons and clients. The third category of accountability was to the INGO itself - encompassing both internal and external stakeholders including staff, supporters/members (only those playing an active role in decision making, others are either patrons or clients), coalition partners, constituency and the broader NGO community - as well as accountability to mission and values. While simplification is often a tool used in developing models and conceptual frameworks, the disparate backgrounds and needs of stakeholders combined in this model raise serious questions about its value as a basis for dialogue and analysis.

Najam (1996) identified a number of weaknesses in NGOs that lead to poor internal accountability mechanisms but did not address the issues of mechanisms for other forms of accountability. He proposed that the level of accountability in each of the three categories of stakeholders could be assessed against two types of accountability – functional (accounting for resources, resource use and immediate impacts) and

strategic (accounting for the impact of NGO actions on the broader environment and actions of other organisations) (see Figure 6). The assessment below is intended to apply to the whole of the development NGO sector (Najam, 1996, p.351).

	Functional Accountability	**Strategic Accountability**
To patrons	high	medium
To clients	low-nil	nil
To themselves	low	low

Najam, A. 1996. 'NGO Accountability: A Conceptual Framework', *Development Policy Review*, 14:339-353.

Figure 6:   NGO accountability

Najam identified the model's purpose as 'conceptual'. He did not try to suggest its use as a practical model for organisations or funders, identifying the need for development of mechanisms and organisational structures. The model does not put any parameters on, or provide any guidance in the judgements of high, medium and low. Najam acknowledges this subjectivity which limits the model's usefulness for any comparative purposes. The categorisation of patrons and clients is interesting and satisfies Cutt and Murray's (2000) first criterion, but the aggregation of internal and external stakeholders into a single category does not have a clear rationale and would appear to render the model less useful. Similar concerns about the use of functional and strategic accountability apply to Najam's model as noted also for Edwards and Hulme's (2002) approach. The apparent usefulness of Najam's approach would be to generate discussion around the applicability of the conceptual model and the ratings as a reflective tool for INGOs.

Table 3 provides a concise overview of the models of non-profit accountability for comparison. This indicates that none of the models satisfy all of Cutt and Murray's (2000) criteria for practicality as none address the questions of production of

information for accountability purposes. Only Leat (1998) and Edwards and Hulme (2002) identify the use of information and its possible consequences.

Section summary

This section has reviewed the models and frameworks for accountability for the non-profit sector developed in the international literature. The models have been developed for different purposes and different audiences, have focussed on different parts of the sector and have attempted to answer different questions. Levels of analysis, whether at the institutional, organisational or individual level, also differ, as does intention – whether they are designed to be used for descriptive or normative purposes. Therefore they are not directly comparable and there is limited value in attempting to identify the 'best' model but they do provide useful lenses with which to examine the views of non-profit organisational managers, obtained through interview and discussed in Chapter 6.

Mulgan (2001) compared accountability between public sector agencies, private for profit agencies and non-profit community sector agencies. He concluded that the community sector lacked accountability across areas of legal compliance and financial reporting, overall performance and treatment of service users. This claim is reviewed in Chapter 6 in the light of this study's empirical evidence.

Table 3:   Models of non-profit accountability

	To whom	For what	Accountable party role	Agents role	Source of authority
Leat (1988)	Multiple (named)	Resources Processes Program quality Appropriateness of activity	Provide requested information Be responsive to perceived needs	Apply sanctions Require information or explanation	Structural – structures/hierarchies Delegated – formal authority Communal – beliefs
Kearns (1994)		Explicit – de jure standards Implicit – de facto standards	Respond to implicit or explicit demands Pre-empt expectations Attempt to influence agent		Professional standards Legal/hierarchical
Kearns (1996)	Higher authority (external) Higher authority (internal) The public	Explicit – de jure standards Implicit – de facto standards	Provide requested information Respond to societal pressures Respond to professional pressures Influence requirements		
Brown and Moore (2001)	Value creation stakeholders Support and authorisation stakeholders Operational capacity stakeholders	Delivery of goods and services to less served beneficiaries Empowering and building capacities of clients for self-help Fostering political voices of under-represented constituencies			
Edwards and Hulme (2002)	Upward – trustees, donors, host governments Downward – partners, beneficiaries, staff and supporters	Resources and immediate impacts – functional accountability Medium to long-term impacts on other organisations and wider environment – strategic accountability		Demand reports and information Appraise reports and information Operate sanctions	
Najam (1996)	Patrons Clients INGO itself	Resources and immediate impacts – functional accountability Medium to long-term impacts – strategic accountability			

This chapter has provided a theoretical background in which to locate the South Australian research on accountability in CSOs. It has raised a number of questions that relate to the definition of accountability used by local CSOs:

- Who do CSOs see themselves as accountable to (ie are they working from a narrow or broad definition)?

- On what basis do they see their accountabilities – moral, legal or prudential?

- What mechanisms do they use in expressing that accountability – are they imposed, negotiated or offered?

- What motivates any broadening of accountability?

- Where multiple accountabilities are identified – which is the strongest direction and why?

- How are conflicting accountabilities managed?

- Would any of the models of accountability help CSOs to manage their accountability?

The theoretical background was extended to a review of the literature on public sector accountability (Chapter 3) and the impact of public sector reform (Chapter 4) before beginning to explore these questions with CSO managers. This extended review was necessary because the relationship with government appeared to be seen as a significant driver of changes to CSO accountability.

CHAPTER 3   PUBLIC SECTOR ACCOUNTABILITY

Before considering the impact of a changing relationship with government on accountability in CSOs, it is useful to review the meaning and use of the term 'accountability' within the public sector, and examine changes to public sector accountability in the context of public sector reform. This chapter identifies different models of public sector accountability and discusses the impact of public sector reforms on ideas about accountability. These theoretical and empirical models can provide a framework for the review of public sector managers' views about accountability in the non-profit sector and may contribute to the understanding of the impact of public service reforms on CSOs.

Accountability and control mechanisms are an essential component of the social 'contract' between citizens and government (Blanchard, 1998). As the public sector is a primary means through which the contract is honoured, it must also be held accountable. Reforms to the public sector over the past two decades have led to changes in both the role and activities of public servants, and in the way they engage with the public and with other organisations in the private and non-profit sectors. One of the challenges resulting from these changes is that of maintaining effective accountability while changing the way government business is conducted and the manner in which services are provided to the government.

Westminster notions of accountability in the public sector

Australia's system of government is based on the traditions of the Westminster system but is, in fact, more of a hybrid system. Westminster systems are underpinned by a number of assumptions that Aucoin (1995) claimed are in a constant state of

tension:

- Responsible government is best secured through the dynamics of party politics in order that government, including the state bureaucracy, be subject to democratic control, and

- Good government is best secured through a professional, non-partisan public service… 'that serves government but nevertheless is staffed and managed as an institution independent of party politics' (Aucoin, 1995:23).

Scott (2000) noted the centrality of debates about accountability in both political and legal discourses. Traditions of the Westminster system include the partial separation of executive and legislative power, which provides for a framework of accountability under which public service managers are accountable to the government, through government to parliament and through parliament to the public. That is, public sector accountability is internal to government (Aucoin, 1995; MAB/MIAC, 1993) and the only accountability to the public is through the minister. The accountability relationships are between citizens and holders of public office, and between elected politicians and bureaucrats (Quirk, 1997). Individual ministers and cabinet are accountable for policy, and public servants are accountable for the implementation of that policy. Ministerial responsibility includes two conventions – reporting responsibility (provide information) and explanatory responsibility (justify and defend departments). However, the traditions of the Westminster system no longer accord with reality (if they ever did). Hodge (2004) noted that, in practice, ministerial accountability had tended to be seen as accountability for failures rather than accountability for results, and argued that this had led to inefficiency through excessive caution. In addition, public servants do have external accountabilities – they may answer directly to parliamentary committees, courts, auditors and

ombudsmen and may have direct accountability to members of the public through complaints or review procedures. In Australia, the administrative law reforms of the 1980s formalised a direct, extended accountability to the public.

The most appropriate public sector for this arrangement is one that is impartial and apolitical in its service to the government of the day. Shergold (1997) suggested that the reality has always been more complex than the idealised description of upward, straight-line accountability through Parliament to the public. He argued that there is a blurring of areas of responsibility and an interest by public servants in matters of policy and by ministers in matters of administration. He labelled this a 'purple zone', in which the 'blue' of political strategy and the 'red' of public administration merge. Barberis (1998) agreed there had long been disparity between the practice and doctrine of accountability, but claimed that the public sector reforms exacerbated that difference and exposed further problems. This will be discussed further in this chapter.

Public sector accountability models

Accountability typologies

A number of authors have developed typologies of accountability for the public sector. In most cases the focus has been on public sector internal accountability, either at an organisational or institutional level. These descriptions of types of accountability suggest a complex set of accountability relationships and expectations within the public sector, which can result in conflicting demands or requirements.

Barbara Romzek has written about public sector accountability in the context of disasters and reforms, in the USA (Romzek and Dubnick, 1987; Romzek and Ingraham, 2000). With others she developed a typology of accountability

relationships that exist within the public sector based on the degree of individual autonomy and the source of expectations or control of performance (Figure 7). Each of these four types is argued to have a different values emphasis and resulting expectations of behaviour, but the boundaries between types are permeable. It is suggested all types may exist within an organisation, with some being under-utilised and/or called on in times of crisis. Romzek and Ingraham (2000) also argued that there is an 'ideal' fit between managerial strategy, the extent of the routine nature of tasks and the type of accountability emphasised.

		Source of expectations and control	
		Internal	*External*
Degree of autonomy	*Low*	Hierarchical *Value*: Efficiency *Behaviour*: Obedience to organisational directives *Strategy*: Input focus *Core task*: Most routine	Legal *Value*: rule of law *Behaviour*: Compliance with external mandates *Strategy*: Process focus *Core task*: routine
	High	Professional *Value*: Expertise *Behaviour*: Deference to individual judgment and expertise *Strategy*: outcomes focus *Core task*: Most non-routine	**Political** *Value*: responsiveness *Behaviour*: Responsive to key external stakeholders (eg elected officials, clients, general public) *Strategy*: Output focus *Core task*: non-routine

Adapted from Johnston, J. M. and Romzek, B. S. 1999. 'Contracting and Accountability in State Medicaid Reform: Rhetoric, Theories, and Reality', *Public Administration Review,* 59(5):383-400; Romzek, B. S. 2000. 'Dynamics of Public Sector Accountability in an Era of Reform', *International Review of Administrative Sciences,* 66(1):21-44; and Romzek, B. S. and Ingraham, P. W. 2000. 'Cross Pressures of Accountability: Initiative, Command, and Failure in the Ron Brown Plane Crash', *Public Administration Review,* 60(3):240-53.

Figure 7:   Types of public sector accountability

This model attempted to describe accountability types and was developed from analysis and observation of, and responses to actual situations in public sector. It shows that in the USA context public servants have multiple understandings of

accountability. This is congruent with Sinclair's (2001) study of senior Australian public servants. In Romzek's models the concept of 'professional' is used in a broad sense, providing that individual judgement and expertise may be derived from professional affiliation, personal conviction or organisational training – anything that has been internalised. Similarly, 'political' is used to refer to accountability to the full range of external stakeholders, conflating clients and the wider public with the elected officials. The model softened the concept of 'mandate' to a source of expectations but the inclusion of control indicates an assumption of the capacity to exert some form of pressure towards norms. As the level of autonomy of decision making varies within as well as between organisations, the model could prove difficult to use as a classification mechanism.

This model could provide a useful tool for analysing *what* is happening in an organisation at a particular time, *where* the balance of the focus is and *why*. The model could be applied to non-profit organisations although the 'political' type is likely to be different in non-profits given the different types of relationship with certain stakeholders. The inclusion of both elected members, clients and the general public in the political category makes it less useful in the context of Westminster democracies.

Johnston and Romzek (1999) extended the model's use to contractual relationships in their study of the contracting out of Medicaid services in Kansas. They found that the most prevalent types were legal, political and professional accountability. Schwartz (2001) adapted the framework by distinguishing two types of legal accountability – legal-bureaucratic where contracts focus on processes, and legal-performance where they focus on outcomes. He also suggested a parallel form to professional

accountability in government-non-profit collaborations, which he calls 'do-good accountability' – the trust in the good intentions of the organisation by virtue of its non-profit status.

De Leon (1998) criticised Romzek's model for conflating organisational and institutional analyses and suggested the high/low autonomy differentiation is more reflective of the difference between an emphasis on results and an emphasis on process. She drew on Thompson and Tuden's 1959 analysis of strategies and structures, which uses dimensions of goal clarity (clear/ambiguous) and the extent to which the means for goal achievement are known and certain or unknown and uncertain, and overlaid this with accountability types using Romzek's typology. She collapsed Romzek's professional and legal accountability labels (which have different sources of authority and levels of autonomy in Romzek's typology) and creates a fifth type of accountability, anarchy (see Figure 8). De Leon drew the term 'anarchy' from discussions of decision making processes. She used it to mean uncoordinated or unorganised (citing Allison 1971; Bolman and Deal, 1990).

De Leon argued that accountability for results requires clear goals, and accountability for process requires agreement as to 'best' process, but that there are circumstances where there is no agreement on desired results because of unclear or conflicting goals and where cause-effect knowledge is minimal. This is the situation for networks and other forms of participatory processes. This suggests that De Leon is moving the model from an organisational to an institutional focus.

DeLeon (1998) concluded that different accountability mechanisms are appropriate dependingt on organisational structure and the nature of the problem/issue it must deal with, and that overlapping accountability mechanisms may result from

differences in the way different stakeholders perceive problems. Discomfort with professional or anarchic accountability processes is likely to lead to an attempt to overlay them with bureaucratic or legal mechanisms.

		Goals	
		Clear	**Unclear or conflicting**
Means (knowledge of cause/effect relations)	**Certain**	Hierarchical *Structure*: Computational *Strategy*: Bureaucratic *Accountability*: Bureaucratic	Competitive Pluralism *Structure*: Representative *Strategy*: Bargaining *Accountability*: Political
	Uncertain	Community *Structure*: Collegial *Strategy*: Judgmental *Accountability*: Professional and Legal	Anarchy *Structure*: Network *Strategy*: Inspirational Decision *Accountability*: Anarchic (participatory)

Adapted from DeLeon, L. 1998. 'Accountability in a Reinvented Government', *Public Administration*, 76(Autumn):539-558.

Figure 8:   Strategies and structures for accountability

Inclusion of the concept of anarchic or participatory accountability is important, given the increasing emphasis placed on partnership models of government-non-governmental relationships, although use of the term 'anarchy' is likely to be misleading. While network models of government and participatory processes are often more 'messy' than hierarchical models, they require both coordination and organisation to function effectively.

Stewart (1984) identified two strands to the discussion of public accountability – the need for information and the judgement or action taken in response to that information (noting that action need not in fact be taken but there must be the potential for it). He argued that the purpose of the information requirement and hence base of accountability can vary, and identified five types of public accountability that

he described as a ladder, with an increasing need to rely on more subjective judgment rather than clear standards (see Figure 9).

Policy accountability	Policy objectives are met	Accountability by judgement
Program accountability	Similar and related to performance accountability, outcomes are achieved	
Performance accountability	Procedures are efficient, planned outputs are achieved	
Process accountability	Procedures followed are appropriate, waste is avoided, administrative action does not lead to injustice	
Accounting for probity and legality	Funds used appropriately and as authorised, fraud is avoided, legal powers are not exceeded	Accountability by standards

Adapted from Stewart, J. D. 1984. 'The Role of Information in Public Accountability' in A. Hopgood and C. Tomkins (eds) *Issues in Public Sector Accounting*. Oxford, Philip Allan: 13-34.

Figure 9: **Stewart's (1984) ladder of accountability**

This model appears to be focussed at the organisational level and allows for a practical focus in answering the 'accountable for what?' question. It does not suggest that these forms are mutually exclusive but through highlighting the subjectivity of 'higher' levels of accountability it emphasises the difficulty in measuring accountability for the agent or institution who is holding another to account.

Stone (1995) focussed on the types of institutional mechanisms that form the bases of accountability. He identified five conceptions of accountability within public administration, each with a different basis of the relationship. He also broadly indicated mechanisms that could be used within each type:

- Parliamentary control or traditional Westminster understanding of accountability, though he saw that this had gone beyond ministerial control with the introduction of other parliamentary mechanisms, for which the basis of the relationship is supervision/command within the bureaucracy.

- Managerialist accountability, which is based on a contractual relationship and

emphasises strategic rather than detailed control, self-evaluation and reporting, and external evaluation.

- Judicial and quasi-judicial review, which is based on individual rights and procedural obligations, and which emphasises process.

- Constituency relations which recognises the network of dependence and influence relationships, and is based on representation and responsiveness.

- Market accountability, which is based on competition, emphasises consumers' rights, and provides exit and voice options for service users and uses competition as a tool to increase accountability.

Stone argues that all of these different views of accountability are needed to understand administrative accountability in Westminster-style governments. While these can co-exist, the emphasis on different forms may vary over time and in the eyes of different stakeholders, and there are inherent tensions between them.

Scott (2000) identified three directions of accountability - upward (which includes Stone's parliamentary and judicial/quasi-judicial), downward (Stone's market mechanisms) and horizontal (Stones' managerialist and constituency relations) - and three sets of values (economic, social and procedural, and continuity/security) in answer to the question 'accountable to what'. This creates a framework within which accountability relationships can be classified. Examples of relationship types are shown in Figure 10.

The different models of public sector accountability described in this section create a more complex picture of accountability than that suggested by a traditional Westminster model. They share characteristics with those models identified for the non-profit sector including:

- recognition of multiple agents to whom accountability is owed;

- multiple factors for which accountability is owed; and

- a need to match accountability mechanisms to context.

	Economic values (eg financial probity and value for money)	Social/procedural values (eg fairness, equality and legality)	Continuity/security values (eg social cohesion, universal service and safety)
Upward accountability	Of departments to Treasury for expenditure	Of administrative decision makers to courts/tribunals	Of utility companies to regulators
Horizontal accountability	Of public bodies to external and internal audit for probity and value for money	Review decisions by grievance handlers	Third party accreditation of safety standards
Downward accountability	Of utility companies to financial markets	Of public/privatised service providers to users	Consultation requirements

Adapted from Scott, C. 2000. 'Accountability in the Regulatory State', *Journal of Law and Society,* 27(1):43.

Figure 10:   Linkages between values and accountability institutions

Mechanisms of accountability

A number of writers have classified mechanisms of accountability, either in the
context of mechanisms used within the public sector or those used in contractual
relationships. In reviewing the impact of neo-liberal reforms, for example, Haque
(2000) classified the mechanisms within the public sector based on dichotomies of
internal/external and formal/informal (see Figure 11).

	External	Internal
Formal	Legislative instruments, executive means, judicial and quasi-judicial processes	Official rules, codes of conduct , hierarchies, performance reviews
Informal	Public hearings, interest groups media scrutiny	Organisational culture, professional ethics and peer pressure

Figure 11:   Public sector accountability mechanisms

Dicke and Ott (1999) started with Romzek's types in the context of the contracting out of human services in the USA and added a fifth type of accountability – moral and ethical accountability – based on derivation of standards from conscience, organisational norms, standards, and concern for the general welfare. A close reading of Romzek suggests this type of accountability is subsumed within the 'professional' type in the 1999 discussion of the model as it involves a high degree of individual autonomy and the source of control is internal, whereas Dicke and Ott (1999) restricted the 'professional' category to expertise while acknowledging the influence of professional associations.

In their study, based on a review of contracts between a state agency and human service providers, Dicke and Ott (1999) categorised mechanisms that could be used to achieve accountability against the different types of accountability (See Figure 12).

Bureaucratic/hierarchical	**Legal**
• auditing	• audits
• courts	• contracts
• licensure	• courts
• monitoring	• monitoring
	• registries
	• licensure
Professional	**Political**
• codes of ethics	• markets
• licensure	• outcomes-based assessment
• outcomes-based assessment	• registries
• whistle-blowing	• whistle-blowing
• registries	
Moral/ethical	
• codes of ethics	
• whistle-blowing	

From Dicke, L.A. and Ott, J. S. 1999. 'Public Accountability in Human Services Contracting', *Public Productivity and Management Review,* 22(4):510.

Figure 12:   Areas of accountability

Dicke and Ott (1999) raised concerns about the lack of evidence of accountability

beyond the formal contractual monitoring mechanisms, which they saw as problematic, given the difficulty in specifying the 'product' of human services and the lack of standards in this area. They took the position that public agencies should be responsible for maintaining all five dimensions of accountability, but found that this did not occur in practice. The study did not identify whether organisations had implemented internal mechanisms that could address some of the perceived gaps identified in the contractual mechanisms.

Dicke and Ott's (1999) model is of value in its introduction of the question of both alternate and multiple mechanisms, keeping the focus at an organisational level.

Broadbent, Dietrich et al (1996) related Stewart's (1984) ladder and Laughlin's (1990) differentiation of communal accountability (less formal context, less structured expression of expectations and informal exchange of information) from contractual accountability (more formal context, written forms of recording and defining expectations) to the levels of trust between the contracting parties and the potential for value conflict between them. They argued that where there are high levels of trust looser control mechanisms are appropriate and value conflicts are less likely. Should there be an abuse of this freedom, trust will diminish and more rigid control mechanisms need to be introduced.

While several ways of classifying accountability mechanisms have been identified there is general agreement on the range of mechanisms to draw on. In practice, their use will vary depending on the nature of the relationship between parties (including levels of trust, formality of relationship) and the organisational political and legal context. Public sector reform initiatives have not only brought changes to both the context of CSOs and the relationships between these organisations and the

government, but have led to a questioning of accountability within the public sector.

The impact of public sector reform

Have public sector reforms reduced, enhanced or just changed accountability? Arguments have been presented supporting each of these positions.

Reforms to the public sector have been widespread in Western democracies, and Western notions of public sector reform have increasingly been applied to developing countries (Minogue, 2001). There have been a number of drivers of such reforms:

- economic factors, including a perception of increasing costs of the public sector;

- the influence of ideological concerns including public choice theory[5] and agency theory;

- the proliferation of interest groups which are more assertive and organised as mechanisms of public participation;

- increased media scrutiny of the public sector;

- a belief that government agencies were unable to deliver policy outcomes; and

- demands by parliamentarians for an enhanced role in governance. (Aucoin, 1995; Aucoin and Heintzman, 2000; Lipsky and Smith, 1990; Peters, 2001; Sullivan and Skelcher, 2002)

Concerns about accountability resulting from public sector reforms relate to matters of principle as well as issues of implementation. Public sector reforms were

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[5] Public choice theory is an economic theory which assumes motivation by self interest and hence a tendency for bureaucrats to maximise their own utility at the expense of the agency's. The best response to this was seen to maximise exposure to market forces and increase the use of competition and provision of choice to consumers of public goods. (Hughes, 2003)

influenced by a number of economic models, including principal-agent theory, theories of competitive markets and public choice theory. Whatever the drivers, there appears to have been a common goal - governments hoped to achieve a more responsive, efficient and effective public sector. Neo-liberal reforms are seen to have affected a number of aspects of accountability:

1. Standards of accountability – the response to the question 'what are governments accountable for?' has shifted away from human progress and ensuring public welfare to economic growth and productivity (Considine, 1996; Haque, 2000).

2. Agents of accountability – the response to the question 'to whom are governments accountable?' has moved to an emphasis on the consumer rather than the citizen/collective public. This is symbolised particularly where there is an introduction of a user pays principle (Haque, 2000).

Public sector reforms required the adoption of management techniques that are more like those of the private sector (Broadbent et al., 1996), and a shift in emphasis towards a market-based institutional framework and adoption of contract or contract-like relationships. Virtues of operating via contract are claimed to include making responsibilities explicit and creating appropriate incentives (Walsh 1995). Many of the public sector reforms (including adoption of an accrual accounting framework, an emphasis on results and performance reporting on outcomes) directly impacted on the management of accountability, changing the focus from inputs and processes to outputs and outcomes (Argy 2001). Other reforms promoted empowerment at both the client level and lower level of public servants as well as at managerial level within the public service (Peters and Pierre, 2000). This also had implications for accountability relationships.

The market-based approach of public sector reforms challenged traditional Westminster approaches to accountability (Scott, 2000; Stone, 1995; Walsh, 1995, Wolf, 2000). Devolution, decentralisation and de-bureaucratisation raised crucial accountability questions because they altered authority and responsibility structures, and the focus on results and performance led to changes in the way governments managed and reported (Aucoin and Heintzman, 2000). Some viewed the reduction in political control through the contracting and privatisation of services as implying a reduction in the level of accountability (Mulgan and Uhr, 2000), despite the claims that reforms would increase accountability. Others (Keating, 2004:99) took a more pragmatic view:

> Ministers are accountable for systemic faults in administration and that is true whether the service is delivered directly by public servants or by private contractors.

Tensions between a service culture and more commercial motivations created dilemmas for public servants and potential conflicts between ethics and incentives and it became more difficult to assign responsibility. The introduction of more players into the service delivery arena increased the risk of 'many hands' arguments when failures occurred. In some areas new inspection and audit bodies needed to be introduced, working against the model of a more streamlined, efficient public sector. A report of the Canadian Auditor General's Office and Treasury Board (1998) identified particular pressures on accountability as arising from:

- the emergence of non-hierarchical relationships in service delivery approaches;

- the increased requirement for a focus on results and performance-based management;

- demands for greater flexibility and autonomy for government organisations and managers; and

- the requirement for transparency as a part of public sector accountability.

Shergold (1997), as Commonwealth Public Service Commissioner, described the changes within the Australian public sector as having moved it overall from a culture of administration, emphasising process to one of management, emphasising performance and achievement of outcomes. It is difficult to tease out the influences on changes to accountability as other changes have occurred through the time period of reforms which have affected accountability both directly and indirectly. Shergold (1997), for example, argued that changes to administrative law mechanisms (including creation of the position of Ombudsman, introduction of FOI legislation, and introduction of a right to seek reasons for decisions) that both preceded and accompanied public sector reform strengthened accountability while sometimes externalising it. These mechanisms could be argued to have expanded the boundaries of public sector accountability by increasing external scrutiny and making it easier for members of the public to both obtain information about and contest bureaucratic decisions. That is, these mechanisms move both the information and redress aspects of accountability from the minister to the bureaucracy. The administrative law system increases accountability to the individual as well as feeding information back into government decision making (ARC, 1998).

The move to contracting out of service provision had consequences for the availability of administrative law remedies where services provided previously by the public sector began to be provided by non-profit or private organisations (ARC, 1998; Blanchard et al., 1998; Bromley, 1997; Gilmour and Jenson, 1998; Tang,

1997). In these circumstances, clients are restricted to private law remedies of torts, consumer law and contract law, and this only if the service recipient has a contractual relationship with the service provider. While these mechanisms may appear to give the consumer a measure of redress, there are likely to be limited grounds under which such remedies are applicable, and pursuit would be more complex and more costly than the administrative law mechanisms previously available (Marks, 1996). It is interesting to note that while access to the Ombudsman and other administrative law mechanisms has recently been agreed for employment services at the Commonwealth level (Keating, 2004) the same access has not been provided in other service areas.

Increased accountability?

Many public service reforms identified a goal of improving public sector accountability, and some observers suggest this has been achieved, at least in part. Shergold (1997) argued that the reforms have enhanced the scrutiny of public administration, as the devolution of responsibility requires more reporting and transparency. Using the language of contractual relationships can lead to clearer identification of complex and multiple accountabilities. In some agencies, direct accountability to the public has been made transparent through service charters, particularly in the areas of timeliness and quality of service. This raises the question of 'to whom is accountability due?' (minister or service user) as well as 'who is accountable?' (minister or public servant). The Administrative Review Council (1998) and the Productivity Commission (1996) agreed that contracting out does not affect ministerial accountability to Parliament, but the ARC noted that it does affect the public sector's reporting requirements and expressed the view that contracts must include requirements for sufficient information to enable both Parliamentary scrutiny

and investigation by the Auditor General.

The Productivity Commission (1996) report emphasised the role of competitive tendering in achieving 'accountability for outcomes rather than compliance with procedures', clearly acknowledging the underpinning of the reforms by principal-agent theory. Where services were previously provided by government, the Productivity Commission concluded that accountability cannot be transferred and that contracting out should enhance accountability because of clear specification of requirements and performance indicators, but did not resolve the issue of the loss of administrative law remedies. The adoption of the concept that accountability cannot be transferred would be expected to influence the relationship between government and non-profit (as well as other) third party service providers.

The House of Representatives Standing Committee on Family and Community Affairs (1998) also noted enhancements to accountability through clearer specification of services and responsibilities, making it easier to identify instances of failure, specification of performance measures, provision of exit options for service users, and greater clarity of roles in functions of policy development, service delivery and service monitoring.

Corbett (1996) explicitly recognised the changes to public sector accountability through his directional accountability framework – upward through managers to the departmental head and minister, outward to client groups and other community stakeholders (with mechanisms such as FOI, administrative law mechanisms to support accountability), downward to staff and inward to conscience – thus acknowledging an expansion of accountability post-reform. Quirk (1997) also argued for a 360 degree model of accountability that admits the legitimacy of everyone's

interests. Such an expansion leads to the need for increased disclosure about outcomes, performance standards and financial management for three purposes:

- openness of aims and intent;

- performance and achievement of outcomes; and

- probity and integrity.

Stone (1995) argued that there have always been additional administrative accountability practices but that they have been largely invisible while the focus has remained on ministerial accountability. In this view public sector reforms have merely brought to public attention a broader conception of accountability that already existed, while providing an impetus to change the emphasis in the responses to the key questions of 'who is accountable?', 'what are they accountable for?' and 'how is that accountability demonstrated?'.

Weakened accountability?

Political accountability is also seen by some to be weakened through the mechanisms of commercialisation (Blanchard et al.1998; Bottomley, 2000). Blanchard, Hinnant and Wong (1998) examined the nature of the accountability relationship with the public. They argued that the concept of the social contract between government and the citizen - where public administrative actions are the means by which the contractual relationship between citizens and government is enforced - has been changed by market-based reforms to one between citizen, government and private sector interests. As a result, citizens' ability to obtain political accountability and control over the administrative apparatus has been reduced as they are forced to seek accountability through market transactions. It is argued there has also been a

reduction in what the public sector is accountable for as a result of the redefinition of citizen or client to 'customer', which is seen to be an exclusively economic category. Hodge (2002) agreed that public accountability has been a major casualty in government privatisation particularly in the areas of ministerial responsibility and accountability through judicial or other review and in the transparency of decision-making. While contracts enabled a clear definition of objectives, outcomes and performance measures, commercial confidentiality has been used as a reason for reduced transparency once a service is contracted out (Alford, 1996, Argy, 2001). Transparency can be reduced further by the introduction of additional layers of bureaucratic authority between the elected officials and the service provider (Gilmour and Jenson, 1998).

Or just different accountability?

A number of writers (Mulgan, 1997a) have argued that there has been a change in the balance of accountability, with some forms having been reduced and some increased under contracting, rather than an overall decline in accountability. Mulgan and Uhr (2000) argued that differences over the relative importance of rights to demand explanations and seek remedies (voice rights) and the benefits of exercising consumer choice (exit rights) were the underlying factors in disagreements about whether increases in customer responsiveness (analogous to that of a private sector firm) correspond to an increase in accountability. Similarly, Alford (1996) suggested that contracting leads to less information for citizens about outcomes, and more information about outputs, which are easier to specify compared with outcomes that relate to broader conceptions of public value. Hodge (2002) suggested that the balance between Stone's (1995) five types of accountability had changed as a result of reforms, with an increase in managerial accountability, and a decrease in

parliamentary and quasi-judicial accountability and transparency. He claimed

mechanisms for constituency relations (from political intervention, public hearings

and advisory bodies) were being reduced and regulatory agencies, consumer councils

and ombudsmen strengthened, with the overall effect being a shift towards market

accountability. In examining the NZ health sector, Boston and St John (1999)

concluded that accountability of providers to purchasers had been improved, but

there had been a reduction in the accountability of providers and purchasers to

consumers. While Mulgan's (1999) review of the NZ reforms concluded that

common sense and professionalism had counteracted many of the potential

weaknesses in the system, it is questionable whether that is a sufficiently robust basis

on which to base accountability. Mulgan (1999, 2000c) also noted the reluctance of

the public in both Australia and NZ to let ministers decline responsibility. This could

reflect the influence of the agency or program area profile (perhaps determined by

the number of people affected and media interest) in determining the level of public

interest in the accountability of that agency or program.

A complex picture of changes to accountability emerges from this discussion. The

existence of areas of both increased and decreased accountability highlights the

importance of an open discussion about accountability gains and losses in any

analysis of public sector reform. It is clear that while there are divergent views on the

actual impact of public sector reform on public sector accountability, there is general

agreement that changes have occurred. Some of these act to enhance accountability,

others risk diminishing it. Changes have highlighted, and in part have arisen from

tensions between compliance with accountability requirements and a focus on

management for results and responsiveness. However, they have also been

influenced by a wider media interest in accountability that has had implications for

the private and non-profit sectors, as well as government.

Sinclair (2001) summarised the changing meanings of accountability resulting from public sector reforms as resulting in a move from political or Westminster accountability to managerial accountability (with a focus on fiscal, process and program accountability) and public accountability (directly to clients and the community). Recognition of professional accountability through the emphasis on 'letting the managers manage' could also be added. This review of the literature suggests that public sector reforms have encouraged progress up Stewart's (1984) ladder of accountability although program accountability remains more of an aspiration than a reality.

Reform implementation difficulties

A number of practical difficulties with contract specification in contracts between government and the private and non-profit sectors have been identified in principle (Austin, 2003; Considine, 1996) and in practice (AGWA, 2000; Barrett, 1997; De Hoog, 1984; Hardy and Wistow, 1998; Heinrich, 1999; Najam, 2000; PAEC, 2002; Smith and Lipsky, 1993; Smyth, 1997; Taylor, 2000) that could lead to reduced accountability:

- Contracts often failed to identify the key attributes of the service – to adequately define the specifications of the service/output being purchased.

- There was a loss of public sector knowledge and expertise such that public servants were not in a position to clearly specify requirements, identify performance indicators or assess risks.

- There was a lack of public sector expertise in contract management and complex negotiation, in some cases with high turnover of staff in these positions.

- There was a risk of corruption or capture in contract letting and management.

- There were high transaction and compliance costs for service providers.

- Roles and responsibilities were not sufficiently defined for parties to the contract.

- Performance information requested and provided was inadequate to determine whether outcomes are being achieved.

- Contracts included penalties for poor performance but not rewards for good performance.

- Short contract periods reduced the capacity for non-profits of achieving efficiency gains and threatening service continuity.

- Progress payments on contracts were not linked to program milestones.

- There was insufficient rigour in the assessment and management of financial risks for the government.

- Government agencies lacked awareness of the total costs and impact of contracting on the delivery of community services. Hardy and Wistow's (1998) study, for example, found the focus on price led to 'penalising' providers who invested in staff training, and quality assurance systems, and paid reasonable wages.

- Delays by government in preparing contracts resulted in contracted agencies delivering services without a contract in place.

- There were delays in communicating results of tendering decisions to non-profit organisations and in the provision of feedback which could assist them to be more successful in future.

- There was difficulty in practice with monitoring contracts in the human services,

both from a lack of government agency resources and expertise in monitoring, and in the difficulty of development of outcome measures and monitoring tools.

- Poor communication sometimes occurred between the planning and purchasing areas of the funding department.

Common themes of poor planning and a lack of skills and knowledge needed to implement changes emerged from these studies. Early planning and consultation may have predicted difficulties such as price/quality tensions and the need for clear communication channels. It is not clear whether there was a lack of awareness of the new skills that would be needed for managing contracted performance as well as procurement, or whether pressure to demonstrate that change was being achieved led to premature action. Whatever the reason, the result appeared to be that questions of accountability were largely addressed in hindsight.

The Australian Law Reform Commission submission to the House of Representatives inquiry into competitive tendering (HRSCFCA, 1997 submission 138:290-295) noted that three aspects of accountability must be provided for in the contracting relationship:

- Accountability of the contractor to government and the Parliament (contract requirements being fulfilled, legitimate scrutiny of Parliament not hindered).

- Accountability of the contractor to the consumer of the service.

- Accountability of the government agency to contractors (transparency of tender process, mechanisms for review, mechanisms for redress during tender).

It is clear from the list of problems encountered that these have not always been maintained.

Some of the difficulties have arisen from the application of a single model of contracting to different categories of services. Behn and Kant (1999) distinguished performance contracting (where outcomes are specified and payment is based on results) from regulatory contracting (where payment is made for input and activity). Each of these types raises different issues about performance and accountability. A regulatory contract enables the setting of easily measurable output and activity indicators that assist in ensuring financial and legal probity but limit providers' flexibility to respond to client needs and thus program and potentially policy accountability (using the terms of Stewart's 1984 categories). On the other hand, performance contracting, where desired results are the basis of payments, provides for greater responsiveness and should increase program accountability although possibly at the cost of performance and process accountability, and financial and legal probity.

It is clear that there are tensions between public sector reform intentions and accountability requirements (Romzek and Ingraham, 2000). Kumar's (1997) two year study of contracting arrangements in the UK concluded that accountability to service users in contracted services tended to be more rhetoric than reality. The House of Representatives 1998 inquiry into the competitive tendering of welfare services noted evidence that some public servants regarded contracting service delivery as a means of contracting out risk, and also evidence of the extended lines of accountability making it difficult to determine who was responsible for ensuring service standards.

Problems in specification of services and outcomes could be seen as arising from the need for policy makers to anticipate what might occur in the life of the contract. This

can be particularly problematic in areas of human services where the desired outcomes can be difficult to quantify or measure. Hardy and Wistow (1998) identified the difficulty in specifying and measuring outcomes around quality of life in services providing domiciliary care. The resulting vague or ambiguous objectives make ex-ante evaluation difficult. Information asymmetries between purchaser and provider may be a function of the tacit nature of the information associated with the task rather than from the provider deliberately hiding information. In addition, where a professional service is provided there are constraints to the capacity of a layperson to objectively evaluate the quality and appropriateness of that service.

Determining appropriate performance indicators is one of the acknowledged challenges for the contracting of human services. Broadbent and Dietrich (1996) expressed concern that the introduced forms of measurement tended to focus around economic consequences to actions, leading to a distortion in focus and nature for those activities that are not easily measurable. Monitoring is also difficult in complex services and there is a risk that accountability is reduced to pre-stated performance indicators. Contractual requirements can lead to a commodification of professional activity, which is in reality more complex (Broadbent et al., 1996). Lohman (1999:96) reinforced this judgement, suggesting the attempt to professionalise the evaluation of social services had anchored a belief that:

> Careful measurement of program results by apolitical professionals, like the officials in a sporting event, could introduce elements of civility, fair play, and above all clear, objective, rational judgement to the long slippery slope of
>
> partisanship, culture wars, and the relatively unknown territory of racial, ethnic, gender, and other divisions.

It is suggested that the differences between the principles and practice of Westminster accountability in the public sector, identified earlier in this chapter, adds to the confusion in identifying the impact of public sector reform on accountability. While theories have identified different forms of accountability there does not appear to be any consensus on what is 'good' or sufficient accountability. Those that view the Westminster model as an ideal form will view substitution of other forms as unacceptable. Those that recognise multiple public sector accountabilities will feel more comfortable but need to determine how to balance multiple accountability demands and measures.

Section summary

This section has reviewed the impact of public sector reforms on accountability and identified unavoidable changes that arise from the principles underpinning the reforms. These include the attempt to move from a legal-bureaucratic to a legal-performance form of accountability (using Schwartz's 2001 terms). Where reforms have led to contracting out of activities, forms of accountability have remained largely legal (Romzek and Johnston, 1999) and market based (Stone, 1995) with the emphasis on economic values (Scott, 2000). While there have been aspirations to Stewart's (1984) program accountability, in practice accountability mechanisms have been limited mostly to process and performance accountability. Changes have increased some aspects of accountability and decreased others. Longer-term research is needed to determine whether these changes have balanced the need for accountability with the need for efficiency and responsiveness. The existence of disasters 'post-contracting' have been cited as evidence of a failure of accountability. Some of the negative consequences of reforms appear to have been avoidable implementation problems.

Responses to changes in accountability requirements

There have been some suggestions on how government should respond to the changes in accountability resulting from public sector reform. Mayne (1999) argued that the differing degree of control and influence over outcomes in different types of service provision requires a new view of accountability that acknowledges the difficulty of attribution, and requires demonstration that:

- everything possible has been done within the limits of authority and resources to achieve the intended results;

- past experience has been learned from; and

- there is a contribution to the results achieved.

This suggests a move to thinking about accountability as a learning mechanism rather than a blaming mechanism.

Gregory (1995) also argued for differential emphasis for contracting different types of services. He used Wilson's (1989) classification of public sector agencies which used the observability of outputs and outcomes, each of which required a different management culture and different incentives to encourage compliance. He argued that:

- the concept of accountability best fits organisations with readily observable outputs, as accountability requires 'work' to be made visible;

- responsibility is more appropriate for organisations with less readily observable outcomes, as outcomes may not be evident as the work occurs leading to reliance on subjective accounts by operators; and

- corrupt practices are more likely if the focus on accountability displaces the need

for responsibility particularly in organisations with observable outcomes.

These suggestions recognise that managing all agencies as if they had observable outputs and outcomes is impractical and may increase non-compliance or corruption. However, adopting flexibility in accountability requirements risks external criticism. An increased focus on results requires the management of risk but traditionally the public sector has been risk-averse (Shergold, 1997). This tendency is reinforced as ministers, the public and the media are quick to criticise the public sector's lack of responsiveness, and equally quick to blame and find evidence of fault:

> If you are running a business in the private sector, to be successful you have to be right more often than you are wrong. If you are right 52% of the time, you are on the right side of the line……If you are right 80% of the time you are doing brilliantly. However in the public sector, if you are right 98% of the time, people are not interested in 98%; they are interested in the 2% that you are wrong…….That is why you cannot necessarily apply the same techniques which you would in the private sector because you cannot afford just to ignore things. (Treasury and Civil Service Committee Minutes of Evidence 26 October 1993; cited in O'Faircheallaigh et al. 1999)

Once again it is evident that different writers are coming from different perspectives and understandings of accountability. Klingner, Nalbandian and Romzek (2002) identified three different ways of thinking - politics, administration and markets - that lead to different expectations of accountability. While these may be inconsistent, attention must be paid to all of them and the competing interests must be managed. However, responses that involve the layering of new forms of accountability over existing ones will only create inefficiencies and increase costs. 'Good' accountability does not necessarily require 'more' accountability. Instead, as DeLeon (1998)

suggested, considered choices should be made about accountability mechanisms based on variables including the organisation's purpose, the clarity of its goals and the level of consensus about means to achieve them. Again this supports the need for an extended discussion of accountability and alternative mechanisms rather than the development of a single 'one-size-fits-all' approach.

This discussion of public sector accountability and the impact reforms have had on it provides some of the context for the examination of the management of accountability by CSOs. Given the extent of government funding of CSOs and the influence of government funders, further context is provided in Chapter 4 through an examination of the changing nature of the relationship between government and CSOs.

CHAPTER 4   A CHANGING RELATIONSHIP WITH GOVERNMENT

> The more robust approach to studying NGO-government
>
> interaction is to focus on the resulting relationship instead of
>
> looking only at the individual attitudes of the one party towards
>
> the other. (Najam 2000:390)

This chapter explores the literature on the relationship between government and the non-profit sector and the impact of public service reform on that relationship. It identifies an emerging discourse of partnership and questions the adequacy of existing approaches to accountability within partnerships. It also identifies the impact of changes to the relationship on aspects of CSO functioning. It argues that government has always had a close relationship with CSOs in the Australian context but that the nature of the relationship changed as government attempted to control agencies through contracts. More recent changes do not represent a return to an earlier relationship but an attempt to create a new form that has the advantages of collaboration while retaining a stronger element of control through contracts.

Government in Australia has always had a relationship with non-profit agencies (Gregg, 2000; Lyons, 1997b) as has also been the case in other democratic countries (6 and Kendall, 1997; Van Slyke, 2002; Young, 2000). Australia's federal governing system, with shared responsibilities between state and federal levels of government, means that the relationships between non-profit organisations and government may be quite different in different states[6]. ACOSS (1997) noted a range of approaches to funding of community services by different state governments, ranging from radical restructuring to incremental and collaborative approaches. Approaches have also

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[6]   A discussion of the impact of contracting in different states is provided in Third Sector Review (1997) Sprcial Issue: 3

varied across government departments and even within departments in different program areas. Many CSOs receive funding from both state and federal departments and as a consequence function within different accountability frameworks. Where funding is also received from local government(s), the complexity in managing relationships increases even further.

There are multiple dimensions of the relationship between CSOs and government. In addition to providing some form of financial support governments may:

- influence the organisation through its *legislative* framework. This legislation may be applicable to any organisation whether non-profit or for profit (eg employment, OH and S, EEO legislation), or may be specific to non-profit organisations (eg taxation exemptions);

- *facilitate* the setting up of non-profit organisations through providing encouragement or infrastructure;

- influence organisations through *regulation* (eg regulation of nursing homes), or assist in the development of service standards;

- influence an organisation's *service delivery framework* through guidelines for funding and service delivery models in some cases; and/or, though less frequently,

- *authorise* an organisation to act on its behalf (eg in Australia the Royal Society for the Prevention of Cruelty to Animals (RSPCA) can conduct inspections and initiate prosecutions in cases of cruelty to animals).

Not surprisingly, the nature of that relationship has changed over time. This can result from deliberate policy decisions or from the way policy decisions are implemented (eg provision of funding through different mechanisms, introduction of competitive tendering or increased monitoring) but in addition the complexity of the

government/non-profit relationship means that there may be significant impacts on non-profit organisations as an unanticipated consequence of other changes (Craig and Manthorpe, 1999). Dimensions of change include the closeness of the relationship, degree of formality, level of risk taken by each party, degree of resource sharing and extent of dependency.

There have also been changes to the reasons for funding CSOs. Van Slyke (2002) identified the historical reasons for funding non-profit service providers as including:

- expertise in certain types of services;

- proximity to clients and communities in need;

- use of volunteers;

- alignment of mission and with governments desire to provide services;

- role of volunteer boards as a governance and oversight mechanism; and

- ability to raise private funds to subsidise activities.

Ideological arguments for smaller government, which have influenced the direction of public service reforms in many countries, and expectations that CSOs could provide services more cheaply and with less bureaucracy could also be added to this list.

Changes to the government/non-profit relationship have had, and will continue to have, a wide range of impacts on non-profit organisations as well as on government representatives (Edwards, 2001). Some of these impacts are discussed in this chapter. It must be noted that as well as resulting from *actual* changed funder requirements, organisations may change as a result of *beliefs* about possible future change or

requirements.

The public sector reforms discussed previously have had a profound influence on the non-government sector. Additional drivers of change have included the council of Australian Governments (COAG) adoption of the Hilmer Report on National Competition Policy (Hilmer, Rayner and Taperell, 1993), national micro-economic reform, the Industry (later Productivity) Commission reports on charitable organisations (Industry Commission, 1995) and competitive tendering and contracting in the public sector (Productivity Commission, 1996) and the House of Representatives Inquiry into the Competitive Tendering of Welfare Service Delivery (1998). These have increased the level of formality in the non-profit sector's relationship with government but have also served to increase the level of awareness of the role played by non-government organisations in Australia.

The perceived advantages to government of using a contractual model of funding for the delivery of human services, as identified in this thesis include:

- capacity to provide a quick response to emerging service needs;

- capacity to purchase specialised services which would be difficult to set up/find in government;

- greater accountability than a submission model of funding;

- a clearer definition of sub-sectors enabling easier negotiation;

- better targeting of expenditure of government funds to beneficiaries and to geographic areas;

- increased flexibility through the capacity to more quickly change program direction or cut back on particular services;

- the legitimacy of the non-profit organisations;

- a capacity to shift political and financial risk to the non-profit sector;

- a belief that competition will lead to efficiency, and greater value for money; and

- an expectation that the use of volunteers and lower paid workers will reduce costs.

The impact on the sector and on individual organisations was not given as much attention. In the USA Austin (2003) identified advantages for non-profits of increased financial resources and increased legitimacy (which was seen to increase their capacity to obtain other funds). However, these advantages are not applicable in the Australian context of pre-existing government funding[7], agency legitimacy and limited private philanthropy (when compared with the USA). Many fears held by the non-profit sector about the move towards contracting of service provision were raised in submissions from Australian CSOs to the House of Representatives Inquiry into the Competitive Tendering of Welfare Service Delivery (HRSCFCA, 1997). While some evidence was available to the House of Representatives' committee their final report was notable for the contrasting views presented by government agencies and CSOs. The report concluded that 'a continuum of contestability framework' (HRSCFCA, 1998:xi) was needed before any further contracting out of welfare services should occur.

Mayne (2000) differentiated two types of relationships between government and third parties – collaborative (eg sharing of policy formulation, planning and design) and delegated (specific service which may be on a contract basis). These can and do

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[7]   Funding to CSOs, including church-affiliated CSOs, has increased considerably.

co-exist, however it is argued that the balance of focus has changed and is likely to continue to change over time. The adoption of purchaser-provider frameworks led to a separation of policy and implementation roles within government departments, increasing the likelihood of CSOs developing different relationships with different areas of a funding department. The most obvious impact clearly related to the funding processes. Grant funded support by government primarily required accountability for financial probity, whereas a contractual relationship could be seen to be a delegation of authority to the non-governmental actor, with a requirement to be accountable for outcomes as well as value for money.

Conceptual models

A number of conceptual models attempt to categorise the relationships between government and non-profit organisations. These may provide a useful tool to map the changes in the relationship.

Coston (1998) proposed a universal typology of eight types of government-non-profit relationships using the following dimensions:

- government resistance or acceptance of institutional pluralism;

- the existence and degree of government-non-profit linkage;

- the power relationship;

- the degree of formality; and

- the favourability of government policy to non-profit organisations.

She places them on a continuum from repression to collaboration (see Figure 13). This model provides a broad institutional perspective on the relationship of CSOs

with government. While non-profit organisations are able to exercise different forms of power, for many CSOs it is unlikely that the power relationship with government would approach symmetry.
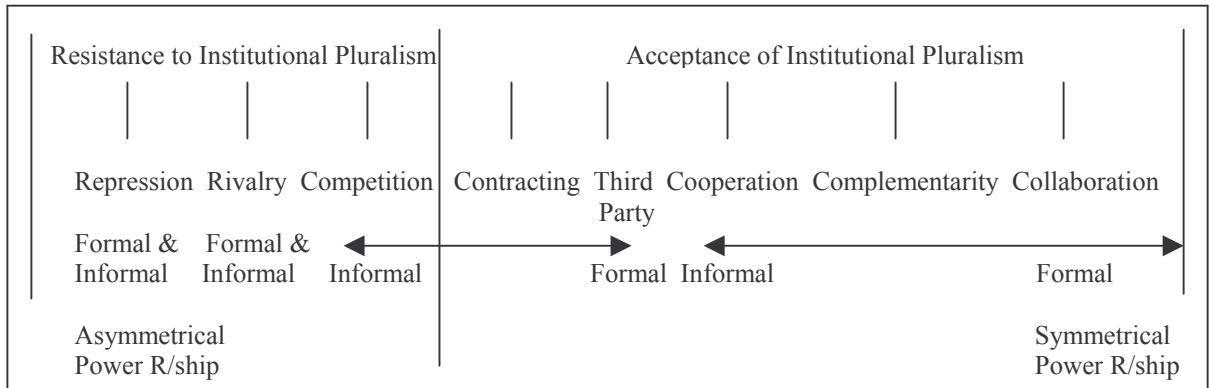
Figure 13:   Model of government-NGO relationships

Using similar categories, Najam (2000) highlighted the importance of government-non-profit relationships in the context of the increasing engagement of non-profit actors in the policy arena in both developed and developing countries, as well as their provision of services on behalf of government. He suggested a framework focussing on the similarity or difference of government and non-profit desired ends and means of achieving them. This led to a framework of four types of relationship, as shown in Najam's model (Figure 14).

		Goals *(Ends)*	
		Similar	**Dissimilar**
Preferred Strategies	**Similar**	Cooperation	Co-optation
(Means)	**Dissimilar**	Complementarity	Confrontation

Figure 14:   The Four-Cs of NGO-government relations

Najam (2000) noted the range of different terms used around the concept of collaboration and took a different stance than Coston (1998) to the relevance of power differentials, effectively collapsing her categories of cooperation, complementarity and collaboration. Co-optation relationships are predicted to be unstable as each party works to influence the other to adopt its desired goals. Advocacy in this model is not limited to confrontational relationships but is seen as an activity that can be undertaken within any of the four relationships. This model is flexible in its recognition that individual non-profit organisations can have different relationships with different government agencies, each of whose relationship with individual non-profit organisations may differ.

Emphasising economic aspects of the relationship, Young (2000) examined relationships between government and non-profit organisations in four countries using three theoretical types:

- supplementary to government – providing public goods in situations where government fails to do so;

- complementary to government – where government uses non-profit organisations to provide services that are funded by government; and

- adversarial to government – where non-profits attempt to change government policy or service delivery through advocacy.

These can be placed to form a triangle within which the relationship with government can be located (see Figure 15). Drawing on an economic approach he suggested conditions in which each of the three types of relationship are likely to be more common, such that:

- supplementary relationships are more likely to be prominent when there is

prosperity in the private economy and government takes a passive approach to social policy and is slow to respond to social issues, and where countries are internally diverse and have significant minority groups,

- complementary relationships are more likely to be prominent in times requiring national unity,

- adversarial relationships are more likely to be prominent in times of social unrest and political turmoil, and where private initiatives raise government concerns about the level of private influence. (Young, 2000)

Young saw the resource base as a critical element in differentiating supplementary and complementary relationships.
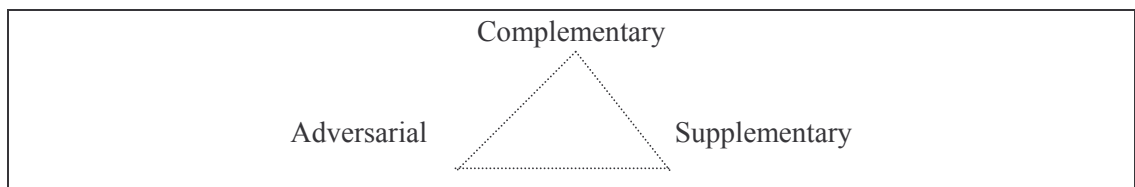
From Young, D. R. 2000. 'Alternative Models of Government-Nonprofit Sector Relations: Theoretical and International Perspectives', *Nonprofit and Voluntary Sector Quarterly,* 29(1):149-172, p. 167.

Figure 15:   Mixes of modes of non-profit–government relations

Young suggested the location may change over time and explored this in the UK, US, Japan and Israel. This model may also provide a framework to examine government-CSO relationships in Australia over time.

The models differ in the extent to which they can be applied at institutional and organisational levels. Najam's (2000) model appears to provide a more useful tool for the analysis of the relationship between government and CSOs in the context of this study, as it emphasises both parties'attitudes or positions in the relationship and recognises the co-existence of multiple players rather than a single entity in 'government'. Coston's (1998) model is useful in its identification of dimensions of

the relationship, but could be argued to be over-simplistic in its treatment of the power relationship. Many would argue that there never likely to be a symmetrical power relationship with government, but that this does not necessarily preclude the development of collaborative relationships. The fact that CSOs often play multiple roles (including service delivery and advocacy) suggests that different forms of relationship may co-exist.

Institutional isomorphism

Institutional isomorphism is the tendency for organisations in an institutional field to become more like each other. This concept is introduced here because it may contribute to an understanding of changes that have occurred within CSOs. Di Maggio and Powell (1983, 1991) proposed three forces driving institutional isomorphism:

- *coercive isomorphism* results from direct imposition of conditions and informal pressures on organisations by other organisations as well as cultural expectations in society;

- *mimetic isomorphism* occurs through copying successful organisations in an environment of uncertainty; and

- *normative isomorphism* derives from an increased professionalism and the inherent increased development of shared norms through formal education and professional networks.

They proposed twelve predictors of conditions under which isomorphism is more likely (see Table 4).

Table 4: **Predictors of institutional isomorphism**

Organisational level	Field level
Dependence on the other organisation	Dependence of organisational field on a single or several similar sources of support
Centralisation of resource supply	
Uncertain relationship between means and ends	Extent of transactions with agencies of the state
Ambiguity of goals	Fewer visible alternative models
Reliance on academic credentials in choosing staff	Uncertain technologies and ambiguous goals within the field
Participation of managers in trade and professional associations	Greater professionalism
	Greater level of structuration

Considine's (2003) conclusion that the convergence of non-profit, for-profit and government agency behaviour in employment services was in part driven by the monopolistic purchasing power of the government department and the lack of incentives other than cost reduction is congruent with this model. It is also consistent with Frumkin and Galaskiewicz's (2004:286) two-stage institutional theory of change by which public sector organisations play a central role in moving other organisations towards convergence:

- organisations are subject to government pressure and embrace institutional myths;

- strategies and structures are disseminated and a homogenised organisational field is created.

Provan, Isett and Milward's (2004) analysis in the mental health area in the USA concluded that organisations may be subject to both coercive and normative pressures in response to government pressures and expectations, as well as local needs and professional influences. These pressures may be consistent or inconsistent, and where inconsistent may lead to active resistance or strategic compromise. Network formation generally is viewed as a strategic response or rational response

compared with institutional isomorphism, which is a more subconscious and compliant response. A network level active strategic response can be a viable way of balancing conflicting institutional pressures. Provan et al. (2004) also argued that institutional forces are likely to be stronger in government and non-profit organisations because of the difficulties in measuring outputs, leading to a tendency to 'embrace external referents of accountability to legitimate their operations' (Frumkin and Galaskiewicz, 2004:289).

CSO funding

While there are some services which are provided by CSOs on a fee-for-service basis, many of the recipients of services in the community services sector have limited income. Service provision is funded by money received from government, individual donors, corporate donors, and revenue raised by service providers through investments or business activities (Lyons, 1997b). Services may also be provided by volunteers, working under the supervision of a paid staff member or another volunteer. In Australia there has been limited contracting out of services previously funded by government (Lyons, 1997b), with competitive tendering generally being used for the award for contracts of new services rather than existing ones. The changes for existing program areas or services have instead primarily involved a different set of arrangements for funding (Auditor-General of Western Australia, 2000). As the submission to the Productivity Commission Inquiry from the Australian Catholic Social Welfare Commission and Anglicare (HRSCFCA, 1997 submission 148:173) put it:

> It is not, in many cases, a case of contracting out of something that was inside government before, but of contracting in something that was outside of government before.

This is consistent with Lipsky and Smith's (1990) characterisation of contracting as a regime sponsored by relatively powerful agents but with regularised interactions between mutually dependent participants. Whether provided through competitive contracts, ongoing contracts or grant funding, for most non-profits the acceptance of funding from government leads to a relationship of mutual inter-dependence (Nevile, 2000).

Lyons (1995) identified five models of the funding relationship between government and community organisations, and noted a progression towards the latter types. Figure 16 shows the degree of influence the different funding models have on location and type of service.

Model	Service specification	Location of service
Government as philanthropist	CSO specification	CSO determination
Submission model	Broad government specification	CSO proposal – CSO-Government negotiation
Planning model	More detailed government specification but CSO input	Government determination
Competitive tendering model	Government specification	Government determination
Quasi-voucher model	Government specification	Government determination

Adapted from Lyons, M. 1995. 'The Development of Quasi-vouchers in Australia's Community Services', *Policy and Politics,* 23(2):127-139.

Figure 16:   Levels of influence under different funding models

Both 'Government as philanthropist' and the 'Submission model' could be seen as forms of grant funding. Grant-based funding could be seen as more of an investment in the particular organisation, thus providing a high level of autonomy in use of the money to meet client needs, whereas competitive tendering and quasi-vouchers involve the purchase of a clearly specified service (output) for identified users. In theory, both competitive tendering and quasi-vouchers require the capacity to clearly define and cost outputs. Historically they are alternative rather than sequential developments from the planning model, however adoption of a quasi-voucher model

has been limited to particular program areas in the community services sector in Australia, most notably the Home and Community Care program.

In practice, many CSOs have been left with a mixture of funding models (ACOSS, 1997; Lyons, 1997b) with differing requirements as a result of different approaches between the Commonwealth, state and territory governments, and in some cases, between program areas within the one level of government.

Batsleer and Paton (1997) argued that the dichotomy between grants and contracts has been oversimplified in much of the literature on contracting in CSOs. The funder holds the more powerful position in both forms and informal connections and patterns of informal power and dependence remain in both. Osborne and Waterston (1997) also identified empirical and practical difficulties in distinguishing contracts from grants. Their definitions (see Table 5) may be seen as end points on a continuum with the reality often falling in between. This concurs with Meltz's (1997) questioning of the extent to which most contracts are legally binding, and Morris's (1999) review of contracts between government and the non-profit sector in the UK.

Table 5:   **Contracts or grants?**

	Grant	**Contract**
Purpose of funds	General contribution to the organisation	Production or delivery of a specified output
Legal, enforceable contract	No	Yes

Adapted from Osborne, S. P. and Waterston, P. 1997. 'Defining Contracting', in P. 6 and J. Kendall (eds) *The Contract Culture in Public Services*. Aldershot, Arena.

Regardless of the legal enforceability of contract, the adoption of contract language reflected a change in the relationship. Grant funding usually involved some specification of the service to be provided in exchange for the funding. There could

be seen to be an assumption of similar goals between government and CSOs and different levels of attention paid to strategies, making it an example of cooperation (or complementarity in some instances) using Najam's (2000) model. This meant that CSOs could accept funding with little likelihood of conflict with their mission. Contracts identified goals and often strategies more clearly, depending on the particular funding entity. This created more potential for co-optation as well as complementarity. Whether or not the form of agreement between government funder and CSO provider is a legally binding contract could be argued to be irrelevant to the day-to-day relationship between public servants and CSO staff, and to the approach taken to accountability.

Impact and influence of public sector reforms

> The frail aged person is not to be pushed around like a shopping trolley in the supermarket of economic efficiency. (NSW Neighbourhood Aid Association HRSCFCA, 1997:448)

The language of reform that permeated the public sector through the 1980s and 1990s was increasingly applied to the non-profit sector. This could be seen as government funding agencies exerting a direct influence through applying contractual language to the arrangements between government and community service providers and thus an example of institutional (coercive) isomorphism. Considine (2003) found convergence of a number of behavioural measures of non-profit, for profit- and government services in the area of employment services, and attributed this to the competition between contractor types within an incentive system focussed on cost reduction. Lyons (1997:7) noted that language change can occur either as a result of a change to the funding relationship or merely as an adoption of a 'faddish term', however empirical studies in a number of countries (Kettner and

Martin, 1990; Lipsky and Smith, 1990; McFarlane and Roach, 1999; Nevile, 2000; Roach, 2000) have indicated that there has been a significant change in relationships between non-profit organisations and government as a consequence of moves to a more contract like relationship.

This has raised particular concerns for organisations providing community services. Wistow, Knapp, Hardy, Forder, Kendall and Manning (1996) in their study of contracting in social care markets in the UK identified five dimensions of difference between contracting for social care and for other forms of service provision:

- vulnerability of users;

- limited capacity of many service users to act as consumers – many are vulnerable and even if not, are unlikely to be experienced in the 'market' of needed services;

- complexity of outcomes of such services and the difficulty in specification of outcomes such as dignity and quality of life;

- importance of continuity in the provision of services given the personal and/or relationship basis of the services; and

- political sensitivity – the vulnerability of users is also source of vulnerability for publicly accountable agencies.

Similar concerns were raised by Australian CSOs in submissions to the House of Representatives 1997 inquiry and by ACOSS (1997). Impacts on CSOs resulting from the increased emphasis on contractual language, whether or not accompanied by significant differences to funding itself, are discussed below.

Agency autonomy

Wolch (1990) argued that the extensive contracting of services to non-profit organisations created a 'shadow state' by limiting both the range of activities and the form of operation of agencies. The literature from Australia, the UK, the USA, and Canada identified a number of issues which can lead to some loss of autonomy (AGWA, 1998; Carson, 2000; Kramer, 1994; Lenkowsky, 1996; Lipsky and Smith, 1990; McFarlane and Roach, 1999; Nevile, 2000; Smith, 1997; Smith and Lipsky, 1993). This loss of autonomy can be seen to occur in four areas.

The first area is the *agency's organisation of service delivery*. This may result from contract specifications of administrative matters that were previously not influenced by government, for example type or mix of staff employed. An organisation's adoption of a more corporate identity could distance them from the community linkages. The increased specificity of service requirements may constrain the CSO response to client need, thereby reducing the very flexibility that makes a smaller community based provider more effective than a government provider in the first place. Increased audit and, reporting and monitoring requirements may increase clients' perceptions of formality of service delivery. In some organisations internal structures and management frameworks may be changed to meet the requirements of a contract. As Leat (1988:38) put it:

> …if the funder delegates a piece of work to an organisation
> because it believes this will allow more flexibility in the creation
> and execution of the work, there is little point in instituting
> accountability requirements and processes which effectively
> destroy or constrain that flexibility.

The second area is the *composition of the client group* which may be affected in a

number of ways. Changed eligibility criteria can reduce the type or range of clients with whom the agency works, an agency may begin to work with a different group as a result of winning a new tender, or 'creaming' of clients may occur to ensure positive outcomes and avoid clients who may require longer contact with the organisation. Government's need to ensure equity of access may lead to a tension with CSO approaches, which may be either more targeted (eg delivery to a particular ethnic group or age group) or more open (eg no income test, no restriction on amount or time period of receipt of service) (Smith, 1997).

The third area is the *range of services provided* which may reduce to match available contracts or may increase through winning new contracts or adding income-generating activities. A particular change may have influences in different directions, for example Smyth (1997) found in a study of USA contracting that formal competitive bidding tended to discourage innovation but may encourage diversification through the capacity to tender for additional services. Carson, (2000:47) identified a risk of goal displacement as organisations:

> …subsume their commitment to servicing the needs of their constituent communities as citizens, such as the traditional role of facilitation of self-help and lobby groups, and instead position themselves as serving customers and managing contractual arrangements with and on behalf of government.

The fourth area, a particular concern of CSOs, is direct or indirect government attempts to limit public comment by funded CSOs and hence limit their *advocacy functions*. Alexander, (1999:58) stated:

> Nonprofit organisations are political entities when they organise communities, respond to community needs, or articulate these needs through advocacy.

There are tensions between the role of the CSO as a contracted provider of specified services and as a political entity, and between the attitude of government to their instrumental role and to a political role which may threaten government. In Australia, attempts to restrict advocacy by CSOs have been proposed (eg the Charities Bill in 2003 (Lyons, 2003), although this was not passed) and are regularly raised in the media.

It must be noted that non-profit organisations in Wolch's (1990) and McFarlane's (1999) studies still perceived themselves as autonomous entities. In the Australian context, given the history of government funding provision to the non-profit sector, loss of autonomy could be argued to be relative rather than absolute. Rather than loss of autonomy, what is seen is an increase in influence on the CSOs. Influences in these areas are not restricted to government. Private donors, other agencies and peak bodies can exercise influence, all organisations are embedded in wider systems and hence subject to multiple influences. Perhaps autonomy exists in the eye of the beholder?

Power

A number of studies (Altman-Sauer, Henderson and Whitaker, 2001; Broadbent et al., 1996; Nevile, 2000) have identified the influence of real or perceived shifts in the balance of power. This can be seen as part of a deliberate government strategy. Using illustrations from education and medicine in the UK, Broadbent et al. (1996) argued that accountability relationships contain particular structures of signification (meaning), legitimation (morality) and domination (power), and that adoption of principal-agent logic is 'ideological in that it is intended to create and sustain relations of domination' (Broadbent et al., 1996:270). However changes in power

relationships can also occur almost inadvertently through other changes to the relationship. Ryan (1999) noted that the contract constructs power relationships through how it deals with termination, grievance procedures, ownership and legal liability. The processes that are followed in developing and implementing contracts could also be seen as power constructs, for example the level of consultation about the content of the contract and the degree of transparency in the selection of tenders in open tender processes. Perceptions as well as the reality of lack of power could limit honesty and the extent of information sharing, problem solving and discussion.

While it is evident that government has legitimate rights to require information for accountability purposes, Nevile's (2000) study identified evidence of inappropriate uses of power including requests for access to all of an organisation's financial records even though funding was received from a range of sources. Another example raised was the co-option of intellectual property in service design through a strategy of funding time-limited pilot projects, then going to an open tender with no guarantees that the pilot agencies would be funded. Finally late contract payments from government were not uncommon, putting particular strain on smaller agencies.

Short-term and variable funding contracts can lead to staff fear that contracts may not be renewed, creating a sense of instability (McFarlane and Roach, 1999) that could reinforce perceptions of being at the mercy of a powerful funder.

Walsh (1995) noted that smaller organisations are likely to have the weakest voice and be least able to operate in a world of formal contracts. This means they are less capable of negotiating concessions or galvanising public or media support for change. However the extent to which there are alternative providers also influences the power balance, with risks to government in creating a service monopoly (Ryan,

Parker and Brown, 2000).

Trust

At the same time as the public service reforms increased the responsibility of, and trust in managers through emphasising the capacity to act to achieve results rather than emphasising bureaucratic processes, the focus on managing the relationship with CSOs changed to a less trust-based model. The principal-agent approach to the contractual relationship is underpinned by assumptions of parties acting in their own self–interest, a situation that Alford (1996) suggested leads to a 'low-trust' spiral.

Walsh (1995) found that in the early stages of developing of contracts with organisations that were already funded, trust tended to be eroded as existing relationships broke down. As this occurred there was an increased reliance on formal powers and often conflict between organisations. He concluded that:

> The introduction of markets has created clearer differences of
> interest and incentives to pursue interests. (Walsh, 1995:198)

He found that existing informal networks tended to break down through the pressure of new rules and a reduced tolerance for ambiguity.

The move to market mechanisms can be seen to impact on the trust in relationships between community service users and providers as well as that between funder and provider. Barnes and Prior (1998) reviewing UK contracting models, argued that the use of performance contracts and monitoring removes the collective trust from the relationship by changing the user's trust in the expert system and replacing it with a system of consumer rights, making regulatorsthe site of trust. To date Australia has not created regulatory agencies in community services areas although external complaints bodies have been established in some jurisdictions.

Organisational capacity

Contract arrangements often assume a common level of organisational capacity, despite the fact that many smaller organisations have more limited management and governance mechanisms. This has been recognised in some funding areas with assistance provided to smaller organisations to deal with externally-imposed contract requirements (Baulderstone, 2004). Regardless of size, 36 of the 37 organisations involved in Nevile's (1999) study indicated increasing difficulty in recruiting board members because of the increased legal and financial responsibilities. This can be particularly difficult for small agencies where board membership may be drawn from a small pool of supporters and may include service users or their family members. More recent media highlighting of directors' responsibilities and criticism of NGO accountability may have added to this difficulty.

The capacity of government agencies to develop appropriate and effective policy may also be reduced through the loss of knowledge from information sharing which was generated through long-term contractual relationships (Smyth, 1997).

Service quality

Proponents of contracting and competitive tendering claimed that quality would improve through better specification of services and understanding of quality requirements. In some funding areas contract arrangements have included requirements for development of complaints handling mechanisms or service standards (McDonald and Crane, 1995; Tang, 1996) which would support an improvement of service quality. However, without increasing funding these, as well as reporting requirements, may lead to a transfer of funds from service delivery to administration (HRSCFCA, 1998).

Carson (2000) argued that tensions in recent service delivery models result in part from the uncertainty of whether the relationship is based on a framework of supporting citizens or a framework of servicing consumers. He also argued that the pre-occupation with market models and competitive tendering as well as the language of the market renders some practical aspects of service delivery invisible. This may lead to an undervaluing of agencies' capacities.

Volunteers and staff

Competitive tendering could be seen to have reinforced existing pressures towards the professionalisation of many areas of community service delivery (6 and Kendall, 1997; Ohlin, 1998). This has implications for the staffing of organisations, whether through paid staff or volunteers. Changes to the range of skills and resources required of staff can lead to a reduction in the numbers of volunteers, 'replacement' of volunteer positions with paid staff (which is unlikely to be a one-for-one replacement unless additional funding is provided), and/or increased costs for organisations in training and supporting volunteers. Volunteers may choose to leave organisations where their role is perceived to be reduced or marginalised. Volunteer loyalty and commitment is often to the organisation rather than the program, thus if a tendering process leads to a change of provider, there is no guarantee that volunteer workers will follow the program to the new agency. Russell and Scott's (1997) study of volunteers in service delivery agencies in the UK found that the volunteers' workload, skills and responsibility had increased, with roles becoming more formalised. While existing volunteers felt their status and work value had increased, organisations were experiencing a higher turnover of volunteers and having difficulty in recruiting new ones. Opportunities for participation by a wide range of people had been reduced.

Taylor and Lewis's (1997) study found a reduction in professional support to the service provider, which the funder had provided previously. Remedying this, as well as changes to skill or qualification requirements to meet contractual requirements, may result in increased expenditure on the training of paid staff or alternatively may lead to replacement by a smaller number of staff to prevent an increase in wage levels. Shorter-term contracts encourage a reliance on temporary and contract employment, impacting on staff morale and increasing the likelihood of staff turnover in areas where there are alternative employment options.

Impact on rural and regional areas

Particular concerns were raised in submissions to the House of Representatives Standing Committee on Family and Community Affairs inquiry and were noted in the Committee's report (HRSCFCA, 1998) about the impact of tendering in rural and remote areas. In a number of states there is a lack of real 'competition' in the form of having multiple service providers in these areas. The prospect of city based services winning rural contracts was seen as problematic where connections to the local community and hence responsiveness and goodwill could be lost, as well as the risk of reduction in local employment with all of its flow-on effects for communities.

Costs

CSOs raised concerns about additional costs arising both from the tendering process and in the meeting of additional reporting requirements, although the HRSCFCA (1998) review reported that little hard evidence was presented to it and that some studies that had been done were criticised for over-simplicity. Rogan (1996) claimed there was evidence of tender specifications underestimating the costs of service delivery. This assumes greater importance with the removal or reduction of the capacity to re-negotiate terms once a contract has commenced. This under estimation

is not surprising given that under most arrangements neither funders nor provider organisations have accurately costed indirect costs (Kramer, 1994). The Western Australian Auditor General's report (1998) estimated indirect costs as between 67% and 93% of the real costs of providing the service. Another study (AGWA, 2000) quoted agencies estimates from 1% to 30%. This suggests either a lack of capacity or a lack of resources to monitor and analyse costs. While acknowledging the impact of inconsistent accountability requirements for agencies with multiple sources of government funding, and the fact that funding did not cover those costs, the Western Australian Auditor General (2000) somewhat arbitrarily concluded that the cost of complying with accountability requirements was not excessive.

In the Australian context, increased administrative costs were identified at the time that organisations were reporting an increased level and complexity of client need (Nevile, 1999). These costs may result from multiple reporting systems arising largely from individual government programs developing their own databases, through the tendering process itself and/or the contract management requirements. While New South Wales (NSW) includes overhead costs in their funding to non-profit organisations, most states do not. Tender submissions in particular are seen as being more complex and time consuming than grant writing. South Australian agencies have identified costs of $35,000 (Nevile, 1999) and $23,000 (pers. com.) for tender preparation.

The UK and Canadian experiences mirror those of Australia, with core costs not being met despite administrative costs increasing and regulation having a disproportionate impact on smaller agencies (Taylor, 1997; McFarlane and Roach, 1999). In addition, Taylor and Lewis's (1997) study found increased labour costs

when there was a change from grants to contracts, regardless of the type of contract.

Sector changes

The HRSCFCA (1998) noted concerns that small agencies might be squeezed out by competitive tendering, while others saw advantages in the encouragement of strategic partnerships between organisations. Both of these results can lead to reduced diversity in the sector and less choice for service users, as well as less competition in the longer term.

Many state-based CSOs have since formed national alliances, driven by the need to tender for national contracts, the need for a national strategic direction in a globalised environment, and uniformity of standards and economies of scale (McClure, 2000).

There is evidence within states of large organisations increasing in size through winning tenders. In one regional area six agencies formed a consortium (Nevile, 2000) to do so. Nevile's earlier study (1999) also found examples of large organisations winning a tender then subcontracting work at a lower price to local organisations. This practice changes the nature of the relationships within the sector as well as enabling the contracting organisation to grow.

Interagency relationships

The move to contracting and competitive tendering has led to a change in the relationships between funder and provider agencies, and also between providers. Where previously providers saw that they played an important role in contributing to policy making, the move to a contractual relationship led to a reduction in collaboration and co-operation in planning and policy (Nevile, 2000; Rogan, 1996). CSOs saw they had less input to policy processes where services were intended to be put to tender. While Nevile (2000) argued that this resulted more from interpretations

of policy by staff in funder departments than being a direct policy, the consequences were the same for funder, provider and the wider community.

This attitude of secrecy also affected relationships between non-profits, with reduced levels of cooperation and learning (HRSCFCA, 1998; Nevile 2000). While services had always been in competition for scarce resources, contracting exacerbated caution about sharing information through highlighting this fact and also raising concerns about perceived collusion if they did talk together. There was also evidence of small agency distrust of larger agencies (Nevile, 1999). This was particularly apparent in the South Australian (SA) experience of tendering out of alternate care services, which had previously been provided in part through several different CSOs as well as the government (Barber, 2001). The government tender divided the state into regions for which these agencies had to compete.

Maddock and Morgan's (1998) study of the implementation of quasi-markets in Britain found the 'contract culture' had an adverse effect on the creation of relationships across agency boundaries, acting against integrated service delivery. This is particularly significant in the light of the more recent promotion of partnership, collaboration and new forms of governance by governments in a number of countries.

This review of the literature from Australia and other Western democracies suggests that many of the fears expressed by non-profit organisations about the potential impact of contracting were well founded. However, not all consequences were negative. Wistow et al.'s (1996) study of organisations in the UK found evidence that for some agencies the process provided a stimulus for reappraisal and change, challenging some organisations' complacency, leading to a more customer-focussed

approach, looking more critically at costs, and defining core business. The summary of issues informs the discussion on the impact of public sector reform on South Australian CSOs in Chapter 7. It will be argued that in some instances there was an overzealous adoption of a distanced purchaser-provider relationship, that this was not universal, and that where it occurred it tended to be the result of implementation or interpretation of policy rather than a clear policy direction. However, the result has been a change and in some instances a breakdown in the relationship between government and the community services sector.

Two themes have emerged from the literature; one of a loss of autonomy and distinctiveness leading to a transition to quasi-government agencies, the other suggesting that the contracting relationship remains one of mutual dependence. The relationship between funded community services and government could be argued to always have been contractual in the sense of an agreement for exchange rather than in the sense of legal contract. Public sector reforms, in particular 'contracting out', have moved the relationship towards a more formal, often legally enforceable contractual basis, and towards transactional contracting and away from relational contracting (Darwin, Duberley and Johnson, 2000). Their study, while not based on human services contracting, identified the centrality of trust, which they argued was engendered by the existence of procedural justice ('contractual trust') and distributive justice ('competence trust' or trust in outcome).

Responses

The Western Australian Auditor General's (AGWA, 2000) review of contracting of human services made a series of recommendations that would address some of the concerns about the impact of contracting on the relationship with governments.

These include recommendations that governments should:

- work with peak bodies to develop a coordinated strategy to manage the transition from grants to contracts;

- take action to rationalise the multiple and inconsistent accountability requirements faced by non-profit agencies; and

- prepare good practice guidelines on contracting for delivery of community services for both the public sector and non-profit agencies.

He also recommended that government agencies should:

- improve transparency of their needs analysis process to gain the support and commitment of non-profits;

- assess total costs and impacts of contracting as part of procurement planning;

- ensure contracts adequately define the specifications of the service/output being purchased;

- ensure where the price paid by government is not intended to cover the full cost of service provision, the purchasing agency specify the amount the service provider is expected to contribute;

- provide pre-tender briefings;

- ensure results of tendering/purchasing decisions communicated to non-profits in timely manner and if not possible advise in writing of delays;

- offer post tender feedback;

- ensure government contract managers are appropriately skilled and that difficulties with turnover of contract managers are addressed;

- finalise contracts in a timely manner and ensure non-profit services are not delivering services without a signed contract on place;

- build and maintain a constructive working relationship with non-profit contractors;

- develop contractual incentives to reward high performance and encourage continuous improvement; and

- ensure ongoing contracts were of sufficient duration to encourage continuity and efficiency of service delivery.

Walsh (1995) identified new forms of informal systems developing between funders and providers in response to the pattern of increased distance and formalisation of the contract process. He argued for different contract types depending on the nature of the 'product' and recognition of the importance of continuity and trust, particularly where services are difficult to specify and are being provided to vulnerable consumers (Hardy and Wistow, 1998).

More recently the public sector has shown an increased recognition of the adverse implications of more distanced arrangements, or at least a recognition of the different requirements of the provision of human services. McCann (2001:112) concluded:

> … one of the casualties of managerialism during the nineties has been the non-government sector….in our quest for efficiency and value for money through contestability and other tools of managerialism we have tended to devalue some of the less tangible dimensions of the relationship – such as joint planning and policy and program development.

Summary

This chapter has shown that while the relationship between CSOs and government includes more dimensions than funding this has been one of the major areas of change resulting from public sector reforms. The introduction of more contract-like arrangements for funding has impacted CSOs at an organisational and institutional level, drawing them into a closer relationship with government (in the sense of more tightly defined) while at the same time increasing the formality and hence in the eyes of some, the distance of that relationship. ACOSS (1999) suggested that the focus had remained on the tendering and contracting mechanisms rather than the desired outcome of improved service delivery. In the context of a proliferation of programs and services, this pointed to the need for more coordinated, integrated planning and provision of community services. Change occurred to different extents in different jurisdictions, but by 2002 most state governments were funding community services using a mixture of models, although there was a common move towards three year funding cycles (PAEC, 2002). Approaches to funding varied across agencies and often within programs, and approaches to performance measurement remained inconsistent. What changes had occurred to the relationship between government and CSOs in South Australia? The scene was set for the first series of interviews. However, as these commenced, governments in the UK, NZ, Canada and Australia were beginning to use a language of partnership. Before turning to the findings of this research (Chapters 7 and 8) it is useful to consider what is meant by this language of partnership, and its implications for service delivery by CSOs and their accountability. This is discussed in the next chapter.

CHAPTER 5   THE LANGUAGE OF PARTNERSHIP

> A paradigm shift is occurring in the way in which the government,
> business and community sectors relate to each other, challenging
> each to redefine their respective roles and responsibilities.
> (Edwards, 2001:78)

A new discourse that includes partnership, integration, joined-up government and governance has been adopted by governments in Australia at federal, state and local levels. This chapter examines the implications of 'partnerships' for CSOs in their relationships with government, the business sector and each other, and identifies what these mean for accountability within CSOs.

Public service reforms leading to privatisation and contracting out meant that networks of organisations began to provide the services that might have been provided previously by a single public sector agency. Other services long provided by CSOs have been brought into a contractual framework. More recently, the language of integrated service delivery and joined-up government have been introduced into debates about the roles of both government and the non-profit sector. Such an approach requires a different approach to accountability, and the consensus is that this will lead to a more complex accountability framework (Wilkins 2002). However, what is meant by 'joined-up government' can vary and may involve such elements as local level integration, whole of government planning and reporting, pooled budgets and integrated service delivery. The choice of mechanisms involved will have implications for approaches to accountability. Less formal arrangements require an emphasis on shared values and 'felt' responsibility (Auditor General of Canada (*Modernizing Accountability Practices in the Public Sector*, 1998) rather than the formal rights and responsibilities of traditional definitions of accountability.

Partnership and collaboration

Collaboration and partnership are increasingly identified as both a policy goal (ACOSS, 1999) and an implementation methodology for the delivery of human services in Australia (IPAA, 2002; Penter, Bindi, Thompson and Gatley, 2002) and elsewhere (Lewis 2001; Miller and Ahman, 2000). Cooperative or integrated service delivery is seen as the best approach to the increased complexity of service user needs (DHS, 1999).

In the literature, collaboration, partnership, and integration are discussed at both the policy making level and the practice or service provision level. They can involve:

- the service user as a partner (Bruner, Kunesh and Knuth, 1992);

- programs within an agency (Cross, Yan and Louis, 2000; Gowdy, Rapp and Poertner, 1993);

- organisations within a system eg health (Graham and Barter, 1999; Gray, 1985; Lister, 1999; Osborne and Murray, 2000; Penter, Bindi, Thompson and Gatley, 2002; Wilkinson, 1997);

- sectors – public, private, non-government (Ginsler, 1998; Grubbs, 2000; Huxham. and Vangen, 2000; IPAA, 2002; Lindenberg, 2001);

- systems, eg health, education, welfare (Ad Hoc Working Group on Integrated Services, 1996; Bruner, Kunesh and Knuth 1992; Hooper-Briar and Lawson, 1994; State Services Commission, 1999); and

- levels of government (Ad Hoc Working Group on Integrated Services, 1996; IPAA, 2002).

However, the underpinning rationale for all such approaches is the existence of complex problems whose resolution is beyond the capacity of a single organisation,

program or sector as the common theme (Huxham and Vangen, 1996). Other identified drivers included:

- overlapping mandates of organisations – increasing understanding of the complexity of issues and focus on early intervention and prevention have led to expanded mandates of organisations and increasing areas of overlap;

- resource constraints – increasing demands on resources encourages approaches that reduce duplication and increase impact;

- fragmentation – social and bureaucratic fragmentation and competition reduce the likelihood of resolving problems. Processes of integration can help build interconnections;

- disengaged citizens – processes of integration can act to engage citizens (or service users) and to enable shared ownership of solutions;

- competitive environment – inter-agency integration is one response to an increasingly competitive funding environment;

- increased focus on outcomes – the shift in focus away from input and output measurement towards outcomes increases attention on the need to coordinate and integrate service provision;

- globalisation is seen as requiring new forms of policy coordination that will involve integration across levels of government, sectors and organisations; and

- technology – technological changes enable increased and easier sharing of information and knowledge across traditional boundaries. (Bazzoli, Stein, Alexander, Conrad, Sofaer and Shortell, 1997; Bruner et.al. 1992; DETYA, 2001; Dinerman, 1992; Gardiner, 2000; Ginsler, 1998; Henneman, Lee and Cohen, 1995; Hooper-Briar and Lawson, 1994; Miller and Ahman, 2000; Oliver, 1990; Taylor-Powell Rossing and Geran, 1998)

Partnership means different things to different people. Leat (2000) cited a Demos study that classified inter-organisational relationships on a spectrum from taking account of other organisations through dialogue, joint projects and ventures, and ultimately to merger. Miller and Ahman (2000) distinguished partnership from inter-agency work and inter-professional work. While both have a focus on the service user, inter-agency work was argued to involve shared information, training and procedures, while still maintaining each agency's own agendas, priorities and ways of working. While recognising that the term partnership covers a range of practices they argued that the focus extends beyond service users to all stakeholders and distinguishes three categories based on purpose - facilitating, coordinating and implementing. At the other end of the spectrum, Kunugi and Schweitz (2000) used the term 'partnership' to describe a relationship in which government and non-government actors attempt to create a constructive working relationship as opposed to a confrontational one. This fits with Winer and Ray's (1994:652) broad definition of collaboration:

> Collaboration is a mutually beneficial and well-defined
> relationship entered into by two or more organisations to achieve
> results they are more likely to achieve together than alone.

The promotion of partnership and collaboration is not confined to government. Such approaches are also recognised as creating advantages in the private sector (Lyons, 1997a; Moss Kanter, 1994) through mechanisms such as strategic alliances with contractors and other organisations. In particular, rapid developments in areas like information technology mean that traditional forms of contracting are often seen to be ineffective. Oliver (1990) proposed six contingencies that support the formation of a range of different types of inter-organisational relationships - necessity,

asymmetry, reciprocity, efficiency, stability and legitimacy, one or more of which may be functioning in any particular partnership.

Community service organisations are also caught up in the language of partnership – partnerships with government, the private sector and other CSOs. Blasi (2002) argued that there is a tension between accountability and the close, mutually dependent relationships espoused within partnerships. Page (2004) identified a tension for the public sector in allowing the flexibility and discretionary behaviour needed for collaboration while ensuring accountability. This chapter examines the impact of partnership on accountability relationships.

CSO partnerships with government

Partnership is often raised in the context of governance (Teisman and Klijn, 2002), a term itself with multiple meanings (Rhodes, 1996; Sullivan and Skelcher, 2002) but here referring to the concept of the engagement of non-state actors in policy-making as part of network structures, as a complement to markets and hierarchies. Edwards (2000:652) defines participatory governance as:

> A set of structures and processes which enhance collaborative
> arrangements in the development of policy within and across the
> public, private and community sectors on the basis of clearly
> understood roles and responsibilities.

Partnership is also discussed in the sense of the relationship between government funder and CSO provider (Knapp et al., 2001; Lyons, 1997a). Carson (2000) suggested that some of the tensions arising in community service delivery models are the result of the lack of clarity as to whether the concept of partnership is based on a framework of supporting citizens or of servicing customers. Supporting this view is the description of the relationship between government and CSOs as a partnership

through the various stages of grant funding and contracting by some authors (Alexander, 1999; McFarlane and Roach, 1999) while other descriptions restrict the term to more recent expressions of cooperation between government and the sector that extend the relationship *beyond* one of purchase-of-service contracts. It is this latter use that is of interest here. It can be argued that there is a paradox in the co-existence of partnership in policy development concurrent with individualised contractual relationships in funding for service delivery (Earles, 2000).

Notions of partnership challenge the dominance of principal-agent theory in determining relationships between government and contracted non-profit organisations. Stewardship theory has been proposed as an alternative to agency theory in seeking a theoretical framework for the relationship between governments and non-profit organisations (Dicke and Ott, 2002). Stewardship theory defines relationships on premises under which agent's motives are aligned with those of the principal rather than where they are acting to achieve individual goals. This assumes a relationship between the organisation's success and the satisfaction of the agent's goals such that the utility from pro-organisational behaviour is higher than from self-serving behaviour. Stewardship theory differs from agency theory in its assumptions about the agent's motivation (intrinsic rather than extrinsic) and the agent's degree of identification with the organisational mission vision and objectives. It clearly relies heavily on trust and proposes that a mutual stewardship relationship will maximise performance and minimise costs. Within organisations, stewardship theory suggests the need for an involvement-oriented management philosophy rather than one that is control-oriented, and a collectivist rather than individualistic culture (Davis, Shoorman and Donaldson, 1997).

Formalising relationships

A number of Western democracies have put in place or considered formalised statements of cooperation between governments and the community services sector. This approach could be seen as a strategy consistent with stewardship theory in that it requires an expression of commitment to a common set of objectives and beliefs.

The *Compact on Relations between the Government and the Voluntary and Community Sector* is a set of principles and undertakings that provides a framework for relations between government and the sector in England (Home Office 1998). The development of local compacts has been encouraged and at a national level there is an annual review of progress against work plans. Good practice guidelines on funding and consultation have been developed for government agencies that attempt to shape the relationship between funder departments and service delivery agencies. Compacts have subsequently been signed with the non-profit sector in Scotland and Northern Ireland.

Similar concerns to those in Australia were raised in New Zealand with their introduction of purchase-of-service contracting (Nowland-Foreman, 1997). In response, the NZ Government set up a working party in 2000 to look at the relationship between government and community organisations. This group reported on resourcing, capacity building for the sector, taxation and charitable status, and relationships with local government and the business sector, and made recommendations and identified research questions in each of these areas (Community Policy Team, 2001; Hanley, 2000). It concluded that there was not sufficient coherence in the community sector to support a formal agreement with government, but recommended that government make a formal statement of intent,

setting out principles and values and a number of relationship-building activities. The steering group set up to implement the recommendations reported on progress in 2002. A website to provide advice for government funders was set up (OCVS nd) and a number of pilot projects were conducted. These included development of standard documentation, reduction in duplication of monitoring by different agencies and a lead funder approach to purchasing (Bailey and Wilde, 2001).

In Canada the government initiated a task force to hold a series of 'Joint Tables', one of whose objectives was to work towards an 'Accord' (Brock, 2000; The Voluntary Sector Taskforce, 2000). Strategies identified to coordinate participation within government and the sector included capacity building measures such as data collection, research and information sharing initiatives and skills development for the sector. *An Accord between the Government of Canada and the Voluntary Sector* (VSI 2004) was released in 2001. It is based on five guiding principles that include the independence of government and the voluntary sector, the interdependence of some of their goals, and the need for commitment to dialogue, cooperation and collaboration. Codes of good practice have been developed on policy dialogue and funding. The initiative is overseen by a joint steering committee of government and voluntary sector representatives which reports annually. Government departments have been required to appoint a champion to promote and lead the use of the Accord and Codes within their organisations.

The Australian experience of partnership

In Australia there is currently little evidence of similar moves to a partnership relationship at a federal level. In 1999, Prime Minister Howard promoted the concept of a 'social coalition' in which government would work with charities and other

community groups, as well as with business to address social problems. However, the emphasis has been on business-community partnership with the government playing a facilitative role. The Federal Government has provided seed funding for a new council for charities and other non-profits, Nonprofit Australia, under the auspices of the Business/Community Partnership. This has caused some concern within the sector (Lyons, 2003; Mowbray, 2003) as it was established with limited consultation, initiated by a businessman, is not representative of the sector and was proposed after earlier de-funding of a number of non-profit organisations which had criticised government (Manning, 2004). Apart from the initial media release there has been little public evidence of action by the council. The Chairperson provided an overview at a conference in 2004[8] identifying the council's strategic priorities as:

- increasing the capabilities of nonprofit leadership teams and Board members;

- improving financial capacity in the sector including sustainable funding models, financing tools and capital investment practices;

- improved accountability and reporting standards;

- securing better operating cost ratios through initiatives such as group procurement and shared services; and

- stimulating innovation and improved communication across the sector.

It is notable that the overview indicated that the number of major contributors to Nonprofit Australia was expected to remain small, and that over time the organisation's work would benefit the whole of the sector through offering

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[8]   Elizabeth Cham, speaking at an information session at the Australia New Zealand Third Sector Research Conference, National Roundtable of Nonprofit Organisations Briefing, *Building bridges and strengthening bonds: Broadening our understanding of Third Sector across regions and diversity*, 24-26 November 2004, QUT, Gardens Point Campus, Brisbane.

memberships. It concluded:

> Nonprofit Australia does not seek to be representative of the
> sector nor will it review or develop policy. These roles remain the
> responsibility of existing organisations and their representative
> groups. (Nonprofit Australia: Overview, 2004)

Further support for concern about the Federal Government's attitude to the sector came with the commissioning of a report on the relationship of government departments with non-government organisations by the Institute of Public Affairs (Johns and Roskam, 2004), a think tank whose members have been publicly critical of non-profit organisations. Funding was provided from the Business/Community Partnership to conduct an audit of how non-profit organisations lobby or work with government departments. While the report acknowledged an already high level of disclosure of information about organisations where there was funding received for program delivery, it was highly critical of other relationships such as the inclusion of non-profit organisations on advisory boards.

Other evidence of a negative attitude towards the non-government sector came with the Treasurer's draft charity legislation – *The Charities Bill 2003*. This followed a Charities Definition Inquiry to which the Howard government agreed as part of a deal to ensure the passing of the GST legislation in the Senate (McGregor-Lowndes 2002). Its purpose was to codify a definition of a charity rather than relying on common law. The Inquiry received 267 written submissions and held meetings with groups and organisations. Many of the submissions called for greater transparency and accountability, and the review report recommended a single independent authority to determine the status of charities and related entities (Costello, 2003).

The *Charities Bill 2003* picked up some of the Inquiry's recommendations, ignored

others and included a clause attempting to restrict charitable organisations' influence on government policy and law reform (Lyons, 2003). This was to occur through disqualifying an organisation's tax-deductible status if such advocacy were more than incidental to its operations. The Bill caused further concern amongst non-profit organisations (Mowbray, 2003; Tomar, 2004) but served to increase the profile of the issue of their appropriate role and responsibility. The government subsequently abandoned the *Charities Bill*, but since then legislation has been passed requiring charities (which could previously self-assess eligibility for tax concessions) to satisfy the Commissioner of Taxation of their eligibility.

In South Australia there have been significant indicators of a changing relationship between government and CSOs. These have included several instances of the development of formalised agreements or commitments to cooperative working arrangements between government and non-government organisations.

A 'compact' between the south Australian government and the volunteer sector was signed in 2003 following its development by a joint working party (OFV, 2003). In this instance, the volunteer sector was defined as those community agencies that engage volunteers as part of their service delivery, thus incorporating the majority of CSOs as well as a much wider range of organisations (including sporting, environmental, and volunteer emergency services). It was developed through consultation with a wide range of community group representatives and volunteers, and had stated aims of:

- advancing volunteering;

- redressing issues that impede volunteering;

- establishing communication protocols; and

- developing appropriate policies and procedures.

The Volunteer Ministerial Advisory Group reported back to the Minister in May 2004 (VMAG, 2004) on progress achieved against these aims and identified the initiation of a local compact in one local government region, and plans for a State Volunteer Congress. This initiative appears to adopt aspects of the *British Compact* model in requiring progress reports, however it does not provide an individual arbiter of disputes.

The discussions between SACOSS and the government which led to the production of *Working Together* (1999) were reinstated at the instigation of SACOSS. This has led to the production of *Common Ground*, a partnership agreement between the State Government and the Community Services Sector which was developed by the Human Services Peak Bodies Working Group (HSPBWG). This group included senior executives from the funding departments and representatives of peak bodies in the health and community services sectors and is jointly chaired by the CEOs of the two departments and SACOSS. The agreement identified a set of shared principles that include valuing transparency and accountability and maximising opportunities for collaboration and participation. It provided for an ongoing monitoring role for the partnership through a Human Services Peaks Forum (HSPF). It built on the work of the Working Together (1999) group, but extended the scope beyond the earlier emphasis on contracts and tendering to include planning and procurement principles.

Parallel to the development of the agreement, the Community Services Funding and Planning Working Group (CSFPWG) was established. This consisted of SACOSS and public sector staff. It intended to explore simpler and 'better' alternatives to the

current funding arrangements, and to establish principles and guidelines for the 'participation of the community sector in the planning of programs and priorities for service development (CSFPWG, 2004). A standard form of service agreement had been developed in 2001 and implemented across four program areas as program funding expired, with the intention of extending this further through the department. This had required negotiation with individual program areas, consequently its implementation was somewhat piecemeal. The CSFPWG facilitated further consultation within the sector and reached consensus on a standard form of agreement to be used in the majority of programs within the two funding departments, the exception being in program areas identified as high risk, such as alternative care services.

The working group referred to the Victorian Government's response (DHS, 2002) to an extensive review of service agreements for community, health and welfare services by the Victorian Public Accounts and Estimates Committee (PAEC, 2002) . In particular it drew on the Victorian work on procurement processes. In line with the Victorian government, the CSFPWG proposed a planning and funding framework which comprised of a mixed model of provision that would allow for options of direct allocation, invited submissions, advertised submissions and competitive tendering based on principles of partnership, best value outcomes and financial responsibility. This would mean a significant reduction the time between the decision to allocate funds to a new initiative and the signing of a service agreement with a CSO (estimated as a minimum of two months), as well as reducing the work CSOs put into writing tenders. The framework would also allow for 'pre-qualified provider' arrangements to be put in place that would, it is claimed, enable a rigorous and accountable initial selection process to be combined with a capacity for

responsiveness to new funding opportunities, and could provide more opportunities for smaller agencies to participate in tendering.

The group proposed a planning model that required each departmental funding branch to prepare triennial funding plans which would provide an overview of:

- government and department policies;

- environmental context;

- division or branch strategies;

- budget context;

- funding context; and

- service agreement information.

They proposed annual updates to incorporate new funding initiatives as well as any changes to the contextual aspects of the plan. The community sector, peak bodies and consumer organisations were expected to be consulted prior to the development of the plan and involved in reviews and evaluations of it. The group proposed that a program funding plan panel be established as a governance body for the framework with the role of reviewing and assessing the adequacy of program funding plans and updates. The working group was extended to the implementation of the framework in late 2004.

At the time of writing, legal advice was being sought as to the 'fit' of the proposed funding options with the requirements of the *State Procurement Act*. Under the current State Supply Board guidelines the default position is an open, competitive tender process. Options are being explored that would recognise the different nature

of the 'market' in community services. Clearly if the proposed planning and funding model is acceptable within the existing legislation it has wide implications for government as a whole.

Similar initiatives have occurred in other states. In NSW the Council for Social Services, informed by the UK *Compact*, proposed the development of a joint statement on the principles of the relationship between the State Government and the human services sector. A draft final agreement had been achieved by the time of writing (NSW Government 2004). It outlines shared goals, shared values, and the roles of government and non-government organisations and identifies a set of principles for the basis of a strong relationship between the State Government and non-profit sector. It proposes a joint reference group to monitor the implementation of the agreement. The Queensland Government developed a *Community Services Strategy* in the late 1990s which was published in 2000. It included three elements:

- a statement of partnership;

- development of an *Industry Plan*; and

- improvement of funding and grant making processes.

The ACT Government has developed a *Social Compact* with six peak bodies from the health and community services sectors and has developed a funding policy which 'reflects the ACT government's commitment to move away from "purchaser/provider" to "partnerships"' (Chief Minister's Department 2005:5). The *Compact* is subject to review by the Joint Community Government Group.

The development of collaborative structures in both Canada and England was assisted by the pre-existence of a coalition of the major players in the non-profit

sector, the National Council of Voluntary Organisations in the UK and the Coalition of National Voluntary Organisations in Canada. The Independent Sector (IS nd), which provides a national forum for the non-profit sector in the USA and undertakes research and advocacy for it, is supported by a number of philanthropic foundations. In Australia, the Myer Foundation has recently provided an establishment grant to assist in setting up an independent National Roundtable of Nonprofit Organisations, with an agenda of developing a national strategy or framework to address a range of issues including regulatory and accountability frameworks (NR nd). Low recognition of the sector and a failure of public policy to recognise and encourage it are cited as the reasons for the Roundtable's establishment. The 19 agencies that form the Roundtable include major peak bodies and wider membership is proposed for the future. The Roundtable's first public statement in May 2004 called for the reform of non-profit regulation in Australia (*Nonprofit Regulation Reform Program*, 2004). It is not yet clear what view the government takes of this group and how it will respond to an independent (rather than government sponsored) representative body.

Teisman and Klein (2002) argued that the concept of partnerships is often introduced without government changing existing procedures and processes, and that any real transition to a governance model requires a focus on inter-organisational processes. Such recognition of the role of multiple players in governance including non-profit organisations, requires an extension of accountability beyond the traditional monitoring and reporting at an organisational level and a recognition of the importance of institutional integrity at the sector level of institutional integrity (volunteerism, service ethics, civil society role) which is critical for legitimacy (Choudhury and Ahmed, 2002). The initiatives in England, NZ and Canada demonstrate recognition of the importance of inter-organisational processes.

In 2004, Australia provided a stark contrast, with evidence of government still

focussing on a controlling relationship. While several state governments had begun

to discuss partnerships, there appeared to be little change at the level of funding.

After reviewing the forms and content of legal agreements between government and

CSOs, McGregor-Lowndes and Turnour (2003:37) concluded that 'the one

relationship that we are not aware of existing between government and an

organisation in the community sector is that of partnership'.

Partnership within a contractual relationship

The concept of partnership does not require an abandonment of the contractual

relationship, but recognises the value of long-term, collaborative relationships

between purchasers and suppliers. This brings the contractual relationship closer to

Kettner and Martin's (1990) partnership model and further away from a market

model (see Figure 17). It emphasises the idea of partnership with government as a

relational concept rather than the purposive concept of a legal partnership

(McGregor-Lowndes and Turnour, 2003).

	Market model	Partnership model
Decision factors	Cost considerations	Service system considerations
	Productivity considerations	Funding considerations
	Availability and capability of contractors	History and tradition
Administrative mechanisms	Invitation for bids	Request for proposals
	Unit cost, fixed-fee and incentive contracts	Cost reimbursement contracts
	Single year contracts	Multi-year contracts
	Government, non-profit and for-profit contractors	Government and non-profit contractors

Derived from Kettner, P. M. and Martin, L. L. 1990. 'Purchase of Service Contracting: Two Models', *Administration in Social Work,* 14 (1):15-30.

Figure 17:   Kettner and Martin's Partnership and Market contracting models

The market model is a 'pure' free enterprise perspective that encourages competition

to increase efficiency and effectiveness while making contracting decisions primarily

on price. In contrast, a partnership model sees government and providers as partners, and contracting as a mechanism to bring them together to maximise outputs through collaboration, making contracting decisions based primarily on concern for the stability and maintenance of the community services system. While their model was focussed on community services, it is not incompatible with private sector views of contracting, for example Taylor and Lewis (1997) have noted that high trust/high discretion forms of contract are used in the private sector in situations of long-term relationships and high risk.

Kettner and Martin's (1990) model is also compatible with Darwin, Duberley and Johnson's (2000) findings on the preferences of local government funders and contractors in the UK. They identified a framework of two 'ideal types' of contractual relationship:

- *transactional* – a formal adversarial relationship characterised by economic exchange, short-term approaches, zero-sum attitudes and conflicts of interest. In such a relationship integration and control is achieved through implementation of contract specifications and market force discipline;

- *relational* – characterised by long term social exchange, mutual trust, interpersonal attachment, commitment to specific partners, altruism, and cooperative problem solving.

They found that while in reality most contractual relationships included elements of both forms, funder and provider preferences were for contracts towards the transactional end of the spectrum.

Hardy and Wistow (1998:34) proposed characteristics of what they called a 'mature purchasing framework' for the community services sector:

- long term relationships;

- mutual trust;

- a mutual understanding of needs and intentions of purchasers, on the one hand, together with the motivations and vulnerabilities of providers, on the other; and

- sufficient stability in purchasing patterns.

Trust between parties is an essential element in partnership or collaborative arrangements. Choudhury and Ahmed (2002) argued that public trust in non-profits is also critical if the sector is to play a significant role in more networked forms of governance. Newman (1998) noted that the question of trust in public management cannot be separated from changes to trust in other relations, including those between service users and providers (professionalism), within organisations between managers and staff (psychological contract), and in inter-organisational relationships. The development of trust in any relationship requires attention to be paid to what the other party thinks is important (NCVO, 2004):

> Trust relationships require a high degree of openness. But this is
> not just about the information provided, it is also based on
> people's direct experience of the organisation or service, the way
> they are treated and whether they perceive it to be trustworthy,
> does it deliver on its promises does it take account of their views?
> (Ryan, 1998:9)

In contracts and partnerships, trust is an important element in minimising transaction costs (Newman, 1998), for example the cost of detailed contract specification and monitoring. However, other costs can be incurred through working in partnership arrangements. Working across agency and professional boundaries requires an

acceptance and understanding of partners' cultural differences – values, norms, language and goals. Relationships are influenced by myths and stereotypes about each other, and time is needed to develop increased levels of communication and trust.

As well as a basis in trust, a partnership relationship with government requires it to respect the CSOs commitment to its mission and values which will often include advocacy for the community it serves. Many saw this sense of respect to be lost in the 'master-servant' relationship of competitive tendering, which in some contractual requirements, included the provision of detailed information about the CSOs staff and the purchaser's right to 'hire and fire' agency staff (HRSCFCA, 1997).

Gooden's (1998) study of social services contracting found that 'successful' managers employed practices that fitted with a partnership model of contracting including:

- participation of providers in the development of the contract, the tender development and in clarifying community needs prior to implementation; and

- sharing of information, and provision of technical assistance to providers.

New Zealand's guidelines on contracting with non-government organisations (The Treasury, nd) are an example of such a partnership approach. The guidelines specify the sector's inclusion in planning, suggesting consultation in proportion to the scale of the service and the outcomes sought. They recognise the existence of other forms of relationship besides that of the contract and the value of longer-term contracts, and advocate matching monitoring to the contract's scale, risk and nature. Such guidelines provide an example of government implementing a conscious change to

the management of dimensions of the relationship with CSOs, with the intent to move the relationship towards one of cooperation or collaboration.

CSO partnerships with business

Strategic collaboration between non-profit organisations and business is increasing (Austin, 2003). Many types of interaction have been categorised as partnerships with business (Sagawa and Segal, 2000) including making donations of goods or services, cause-related marketing, and staff volunteering programs. The nature of the relationship will vary depending on the environment in which the business sector functions. It may be driven either by business or by CSOs. Business may seek a relationship from a philanthropic motive, to enhance credibility or to provide a marketing advantage. Government can take a role in shaping the environment to encourage such relationships (eg the Howard government's strategy of promoting community business partnerships, which are argued to be part of building a 'social coalition' (Edwards, 2000).

Austin (2003) classified three types of business-non-profit collaboration:

- philanthropic – provision of resources in response to request;

- transactional – mutually beneficial relationship with 'value transactions' between the parties; and

- integrative – mutual mission relationship.

These differ in terms of level of engagement of the business, importance to each agency's mission, magnitude of resources involved, scope of activities, level of interaction, managerial complexity and strategic value. Mutual expectations and accountability are important enablers of an effective partnership between a CSO and

business.

Edwards and Onyx (2003) sought evidence of multiplexing relationships described as those involving both economic and social in all stages of the relationship from planning to implementation. Their study of 50 Australian partnerships between business and non-profit organisations found a more complex picture, with types of relationships involving different patterns of provision of financial assistance, in-kind donation, volunteer involvement and cause-related marketing relationships, and extent of involvement of business staff.

CSO partnerships with other agencies

Non-profit organisations can work with other agencies in a range of ways – through informal networks, formal networks, project-based collaboration and in some cases integration of agencies. The literature suggests an increase in such alliances in both Australia and the USA. Government funders have promoted such relationships either through informal encouragement or more formally through contract specification (eg the Domestic Violence sector review in South Australia (pers.com) and the Child Care Support program nationally (DFaCs, 2005). CSOs may develop a partnership as a pro-active strategy in the expectation of government pressure (Golensky and DeRuiter, 1999, Osborne and Murray, 2000).

Non-profit organisations are also interested in pursuing partnerships for reasons of economy of scale of administrative activity, better service delivery, and/or extended service delivery. One USA study of 192 CSOs (Kohm, La Piana and Gowdy, 2000) found a high level of success of a range of different forms of partnership. In Australia some of the church-affiliated CSOs have formed partnership arrangements with their denominational counterparts within the state and/or nationally.

Lewis (2001) contrasts characteristics of *active* and *dependent* partnership based on his research of inter-agency partnerships in development. Active partnerships have clear purposes, roles and linkages but are open to negotiation and, if needed, changes in role compared with more rigid dependent partnerships. They allow for risk to be shared and ongoing debate and dissent. He suggests that active partnerships are more likely to be identified through activity or practice whereas dependent partnerships are often entered into primarily to secure additional funds.

This discussion on types of partnerships has identified the growth in the language of partnership in response to multiple drivers. This could be expected to impact on CSOs relationships with government, but it is clear that there is a need for clarification about what is meant by partnership in this context. Partnership within a governance arrangement is not the same as partnership within a funder-service deliverer relationship. Actions by the Howard government do not support the rhetoric of partnership with the sector.

CSOs have been encouraged to develop partnerships with business and funders have encouraged or required partnerships with other CSOs. One concern raised in the context of partnerships is the power differentials between CSOs and government and CSOs and the private sector. While the extent of this will differ depending on the organisation's size, Huxham and Vangen (1996) pointed out that more powerful groups do not participate in partnerships if smaller organisations do not have something they want. They suggested the more powerful group must find ways to demonstrate its desire for more equal relationships. The discussion of interview findings in Chapter 8 points to the CSOs struggle with the impact of partnership language on their functioning. The area of accountability in partnership relationships

is potentially one of the most complex challenges for organisations.

Accountability and partnership

Narrow definitions of accountability rely on formal relationships, reporting and the possibility of sanctions. Hands-off contracting relies on standardised provisions in contracts, or what Blasi (2002) called 'boilerplate' language. It is argued that accountability mechanisms used in such contracts are not appropriate to a partnership and therefore there is a need to establish a different form of accountability that takes account of the characteristics of the partnership-style relationship – mutual dependency, trust and flexibility. It is not sufficient to overlay a standard contractual relationship with 'cooperative rhetoric' (Hamilton-Howard, 2001) and label it a partnership. Wolf (2000) identified the adaptation of accountability systems to the new governance networks as one of the main challenges to modern governments. Yet this need not have been an unexpected challenge. Accountability for results rather than for expenditure should have increased an awareness that agencies do not achieve outcomes in isolation, and that 'responsibility is already being shared even if the sharing is not made explicit' (Wilkins, 2002:118).

Recognition of the participation of a range of stakeholders in both the creation of policy and the delivery of services further blurs the clear lines of Westminster style accountability (Scott, 2000), which relies on centralised rather than delegated responsibility. A more extended conception of accountability corresponding to new institutional arrangements is likely to require a pluralist set of accountability mechanisms (Stone, 1995). This will need to recognise that both government and the non-profit sector have multiple accountabilities (Kenny, 2000).

Hodge (2004) argued that privatisation, contractualism and managerialism have led

to a 'changing of the guardian' from the state to a network of guardians, including external regulators, the market and service providers themselves, through self-regulation and adoption of codes of practice. He suggests this actually has led to improvements in some dimensions of accountability, particularly financial, reductions in transparency and disclosure of information, but risks the emergence of policy advocacy by public servants rather than stewardship.

Previous chapters have demonstrated existing confusion about the meaning of, and approaches to accountability as well as redundancy and duplication in accountability mechanisms in the community services sector. To date the sector has been largely reactive to funder demands for accountability, while being either neglectful of or proactive to client and other stakeholder demands. The introduction of a language of partnership provides an opportunity to review the management of accountability in the sector, and the management of accountability to government in particular. However the diversity of meanings of partnership (Leat, 2000) makes it difficult to draw from the literature practical guidance on how accountability in government and CSO partnerships could be managed. Wilkins (2002) argued that the traditional focus on accountability for expenditure reinforces the idea that accountability cannot be shared. The clear power differential and capacity to impose rigid requirements and sanctions of narrow definitions conflicts with the principles of collaboration (Ashman, 2001). While public sector reforms attempted to change the focus to accountability for performance, it has remained linked to appropriation.   The move to the language of joined up government and integrated service delivery allows the concept of shared accountability to be addressed more explicitly. The extent to which this has occurred in the SA context will be discussed in Chapter 8.

Both sectors need to recognize and address accountability tensions in the government/CSO relationship (Ashman, 2001; McClelland, 2002). Government could extend its understanding of accountability beyond narrow technocratic definitions and CSOs could review governance arrangements to ensure they are accountable to their various stakeholders. Both could attempt to incorporate the characteristics of collaboration (mutual influence and shared control) into accountability mechanisms.

Shared accountability

Brown and Moore (2001) emphasised the fluid nature of the concept of accountability and the need for accountability structures that are appropriate for the organisation's mission and hence aligned with the organisation's strategy. This has implications for attempts to impose 'one size fits all' requirements on a diverse sector.

Later, Brown and Moore (2004) proposed a model of mutual accountability for INGOs which they contrast with accountability in a principal-agent relationship (see Table 6). This model has wider applications than only in the INGO sector.

Mutual accountability requires the consideration of accountability between partners and analysis of contributions to outcomes rather than just focussing on measuring outcomes. It could involve application of an accountability screen at the planning or proposal stage of partnerships, which involves identifying and debating issues about accountability prior to crises (Canadian Auditor -General and Board of Treasury, 1998). It could involve a negotiated accountability where aspects of the relationship are discussed openly and those which are not negotiable are clearly stated (Onyx, 2000). This can be extended beyond those partners with whom there is a formal

relationship (Nickols, 2000). Henderson, Whitaker and Altman-Sauer (2003) identified three areas for mutual accountability – fairness, finances and performance. Mutual accountability involves a mixture of two-way accountability and is negotiated via a discussion of accountability to each other and the public which would be ongoing rather than fully-defined at beginning of the model.

Table 6:   **Different forms of accountability relationship**

	Principal/agent	**Mutual**
Status of parties	Principal most important	All parties important
Bargaining relationship	Agent is subordinate to principal	Parties have mutual respect, trust and influence
Desired outcomes	Defined primarily by principal	Defined by shared values and problem definitions
Transparency	Agent is transparent to principal	Parties are transparent to each other
Source of incentives and sanctions	Legal and economic; Third party enforces	Social and moral; Peer networks enforce
Scope for revision	Broad for principal	Broad for both

From Brown, L. D., Moore, M. H. et al. 2004. 'Building Strategic Accountability Systems for International NGOs'. *ISTR 6th International Conference*, Toronto, Canada: 3.

Mutual accountability is compatible with Loffler's (1999) model of performance partnerships which is based on:

- clarity of roles and responsibilities, including the identification of risks;

- joint specification of performance expectations including balancing expectations and capacities;

- reporting of valid and reliable information on what was achieved among the partners;

- joint evaluations on how far pre-determined overall objectives have been met; and

- feedback on the performance achieved and adjustments.

Such performance contracts would be outcome-based rather than compliance focussed but would include risk analysis and definition of performance goals and the establishment of evaluation mechanisms as part of planning and development.

Whitaker, Altman-Sauer and Henderson (2004:123) also argued for a model of mutual accountability in contexts of broad program goals and variable service conditions- contexts 'when politics, administration, and markets fail to provide sufficient flexibility, creativity, sensitivity, and commitment to deliver effective public services'. They suggested that in a mutual accountability system:

- each party has performance expectations of the other party which are identified or clarified through dialogue which also resolves the amount of discretion each party has; and

- rather than compliance reporting, information is shared to promote improved performance.

They proposed that certain conditions are necessary for the development of mutual accountability:

- powerful stakeholders must be willing to share decision making;

- new accountability expectations need to be built slowly through deliberation and experimentation;

- participants need to acknowledge service decision perspectives as well as political, administrative, and market perspectives; and

- the parties need to be committed to finding ways to improve service delivery and to have the capacity to give time and attention to this.

One of the criticisms of current accountability mechanisms identified earlier was

overlapping accountability requirements. As Scott (2000) pointed out overlapping accountability systems reduce the centrality of any single system and can be seen to create a fail-safe system. However this comes at a cost to organisations. Where it involves presenting the same information in different formats for different stakeholders it is a waste of resources (Stone, 1995). Where the stakeholders' requirements are more or less aligned, there is an argument to reduce requirements – to 'delegate' monitoring from one stakeholder to another. Where one funder requires certification under a particular quality assurance system, for example, it makes sense for another funder to accept that certification rather than requiring demonstration of the same elements under a different system. On the other hand, Newman (1998) noted the need to avoid trust becoming collusion, and that lines of accountability can be weakened by a reduction in monitoring and formal controls. It follows that development of mutual accountability frameworks will require an ongoing management of tensions to ensure an appropriate level of accountability for the type of services provided. Open dialogue (Argyris, 1994; Senge, 1990) will facilitate this, but is likely to require different structures and techniques for communication between partners (Whitaker et al., 2004).

Not surprisingly there is limited research on the management of accountability in the context of partnerships. Acar and Robertson's (2004) study of partnerships formed between public schools and private and/or non-profit organisations in the USA found the most frequently cited difficulties associated with accountability were the availability of, and access to information, sectoral and personal differences, and frequent changes in personnel, resources and partners. Schwartz (2001) found that partnership relationships increase ambiguity in the division of responsibility in government-third sector relationships in Israel. Sullivan and Skelcher (2002) raised

concerns about the impact on accountability in partnerships (in a range of forms) in the UK, identifying a 'democratic deficit' similar to that identified in quangos in the 1990s. Views on whether accountability has changed, been lost or even been enhanced will depend on the analyst's perspective, the history of provision of particular services in that country and the partnership's objectives. Demos (2003) argued that the objective of social inclusion requires adoption of a two-way accountability that may require different mechanisms than that needed to address Sullivan and Skelcher's (2002) concerns.

While equal power is not a prerequisite for a partnership relationship, CSOs need the organisational capacity to both deliver services and monitor performance (Frederickson and London, 2000) ,as well as influence the relationship with government. Choudhury and Ahmed (2002) proposed organisational capacity to learn as an emergent criterion of accountability at the organisational level.

Implications of this include:

- the need for agreement on whether the funder should play a role in supporting the development of governance capacity if the maintenance of a pluralist sector is desirable;

- the extent to which evidence of CSOs internal review processes and accountability for corporate governance mechanisms should be linked to government funding; and

- the need for agreement on the need for regulation of the sector, whether by government, by the sector itself, or by independent organisations similar to the Better Business Bureau (BBB nd) and Guidestar (nd) in the USA.

Summary

The chapter has identified a lack of research on accountability in partnership

relationships. It has introduced the concept of mutual accountability, which is dependent on particular values being held by partners (Ryan, 1999). Mutual accountability requires a move away from linear concepts of accountability to networks of accountability or an accountability system (Scott, 2000). The same accountability questions must be asked in both traditional and partnership approaches - the difference lies in the how the answers are determined and how they are put into practice. Adoption of the perspective of a network of accountability creates a different role for government in monitoring both its own accountability mechanisms and those of other stakeholders. Where values are incompatible or government is unwilling to acknowledge the validity of accountabilities to other stakeholders, the language of partnership and collaboration will remain rhetoric.

Chapters 4 and 5 have identified conceptual models of the relationship between government and non-profit organisations, explored some of the literature on the impact of public sector reform on CSOs, and identified the emergence of a partnership discourse. As with the concept of accountability there is a lack of clarity on the meaning of partnership and the imprecise use of terms such as 'partnership' and 'collaboration' risks creating confusion in the management of accountability, for both CSOs and government funders.

The scene is now set for an exploration of the impact of a changing relationship with government on the management of accountability in CSOs in SA, beginning with a description in the approach to data collection in the next chapter.

CHAPTER 6   EXPLORING THE SOUTH AUSTRALIAN STORY

The review of the literature in the preceding chapters identified questions about the meaning of and mechanisms for accountability in the non-profit sector and the public sector, the impact of public sector reform on accountability, and the changing relationship between the community services sector and government in SA. The literature review established the complexity and contested nature of accountability, and identified emerging challenges for managing accountability in the context of partnership or collaborative relationships. This chapter describes the approach taken to explore these issues in the SA context.

Methodology

This research had both descriptive and exploratory purposes. It aimed to explore CSO and public sector managers' understanding of accountability in the community services sector and to consider ways of managing the accountability relationship between funded CSOs and government. The trigger for the research was the introduction of changes to the relationship with government in the context of public service reforms. There were apparent changes to government views about the relationship with CSOs, during the period of this research raising additional questions about the impact of partnership discourses on the management of accountability. The empirical research was directed towards a detailed exploration of a single state, SA, because of state governments' primary role as funders (and 'gatekeepers' of joint Commonwealth-State funding) and differences in approaches to the funding of community services in different states. However many of the experiences and much of the learning is relevant in other contexts

Qualitative research methodology was clearly the most appropriate approach for the empirical aspect of this research given the complexities and ambiguities revealed in the literature review. This places the research in the hermeneutic tradition (Blaikie, 2000), which draws on the subject's language to develop second order constructs and propose a model of how things are, as well as how they could be. It is suited to an ontological view of multiple realities derived from participants' emergent experiences (Brower, Abolafia and Carr, 2000). Accountability requires a relationship between two parties or an internal dialogue using values as a benchmark, therefore each party's construction of the meaning of accountability is important. It was recognised that understandings and beliefs about accountability were likely to be subjective and influenced by individual and agency history, despite the existence of more or less formal accountability relationships with government funders. As Brower, Abolafia and Cans (2000:365) put it:

> …qualitative researchers assume the presence of multiple
> realities, constructed by various participants as they engage their
> own local, everyday experiences.

Thus, a descriptive exploratory approach was appropriate. The research emphasis was on description and understanding from the perspective of the social actors, in this case managers of CSOs and public servants working within funding agencies at State and Commonwealth levels. The intention was to enable development of a technical account, which Blaikie (2000) calls an 'abductive approach', associated with interpretive approaches and suited to exploration, description, understanding and to a lesser extent, change, evaluation and impact.

Four criteria have been identified for establishing the trustworthiness of qualitative research: credibility, transferability, dependability, and confirmability (Isaac and

Michael, 1995 citing Lincoln and Guba, 1985). In this study, credibility is demonstrated through the provision of summary data and analyses to the participants after both the first and second series of interviews to enable them to clarify any misunderstandings or misinterpretations. In addition, where possible, documented material including annual reports, newsletters and public sector internal documents was obtained to enable triangulation (Patton, 1990), while recognising that as different data may capture different things or aspects this may not lead to a single coherent picture (Marshall and Rossman, 1999:134). The extent of transferability is determined through the comparison of the empirical data with the normative and empirical literature identified through the review of Australian and international literature.

While the review of the literature on accountability in the non-profit and public sectors was conducted prior to the first set of interviews, the emerging themes and the introduction of the partnership discourses created the need for further research and ongoing monitoring of the literature. Dependability and confirmability were enhanced by the maintenance of an 'audit trail' (Isaac and Michael, 1995) which included audio-taped, transcribed interviews, the documentation of the coding process, and the provision of summaries and analyses to participants.

Method

Two methods of data collection were used in this study: interviews with key informants in CSOs and the public sector; and document analysis of CSO and government publications and websites. Each of these is now described in detail.

Interviews

The literature review identified a wide range of possible accountability relationships:

between the board and external funders and managers; between the board and managers; managers and staff and volunteers; and between staff, managers, volunteers and service users. One option considered for exploring these further was an in-depth investigation of the nature of accountability relationships in a single organisation, involving interviews with board members, managers, staff, volunteers, and government and corporate donors. This approach was rejected because of the required extent of intrusion into the organisation's day-to-day functioning and the difficulty in choosing a representative organisation, given the diversity in terms of size, structure and auspice of CSOs. Instead interviews were elected as the primary data source, and with a sample sought from CSO and public sector managers in the primary funding agencies at State and Commonwealth level.

Interviews are appropriate for identifying and clarifying individual perspectives, describing complex interactions and providing contextual information (Marshall and Rossman, 1999). However, they are dependent on the participants' openness and honesty, therefore the selection technique for interviewees was designed to identify people who had a strong interest in the topic, and who were therefore most likely to speak openly about their beliefs.

Research questions arose from both the literature and my experience in working with CSOs as a board member and independent evaluator. A semi-structured interview approach best fitted the study's exploratory nature. A standard framework of questions was used (see Appendices 3 and 5) while maintaining the opportunity to explore aspects of the participant's response. The resulting interviews comprised responses to predetermined questions, emergent questions and issues raised by participants. Each interview was thus seen as an 'active, emergent process' (Fontana

and Frey, 2000:654).

Subject selection

Managers were chosen to participate in interviews as they 'represent the bridge between governance and operations' (Ospina et al., 2002:12). Selection of interviewees from community service organisations began with a purposive sample of individuals known to have an interest in the issue of accountability and/or to be in positions of particular influence within the sector through membership of peak bodies, inter-agency forums or advisory groups (what Isaac and Michael, 1995 call 'politically important sampling'). I restricted the possible field of CSOs to those working in program areas where non-profit organisations were the primary providers. This excluded organisations who were engaged solely with the provision of Commonwealth funded Job Network services as this is a program area with provision by both non-profit and for-profit organisations and I wanted to focus primarily on the relationship between CSOs and the State Government. A number of the CSOs in the sample did provide Job Network services, but they were in addition to other services funded through the State Government departments, where the government-CSO relationship was expected to be closer.

I used a snowball technique (Marshall and Rossman, 1999; Sarantakos, 1998) for the first series of interviews to extend my initial sample by asking each interviewee to identify other possible interviewees who had strong views or were known to pay particular attention to issues associated with the management of accountability. All potential interviewees approached agreed to an interview and each was asked to identify other people who they felt would be useful to interview. This continued until I found that no new information was being obtained and that potential interviewees

were nominating people whom I had already interviewed. This indicated that saturation had occurred (Sarantakos, 1998). Snowball sampling is a form of purposive sampling that has the capacity to identify information rich cases (Huberman and Miles, 1994; Patton, 1990). One limitation of this approach is its restriction of the sample to particular networks of individuals, but this is of less significance where the study (as was this one) is exploratory in nature. Two factors also served to ameliorate this concern. Firstly, the community service industry in South Australia is reasonably small, where managers interact with each other through a range of forums and mechanisms and could be characterised as well-known to each other. Secondly, the initial sample of managers included representatives from different sub-groupings within the community sector, including managers from services with a focus on youth, families and children.

Interviews were conducted in 2000/2001 and 2004. Table 7 provides a summary of the organisational affiliations of the interviews. Fifteen CSO managers from twelve organisations were interviewed in late 2000 and early 2001. The CSOs included organisations of different sizes and structures, both church-affiliated and non-affiliated. Interviewees were either the Chief Executive Officer (CEO) (or equivalent) or senior service delivery managers in the organisations. More than one person was interviewed in some organisations when the initial interviewee identified colleagues who met the criteria of strong views about and/or particular interest in accountability. Eight of the organisations (11 of the interviewees) had some church affiliation, either direct (agency is not separately incorporated – 2 interviewees) or indirect (agency is separately incorporated but retains church affiliation – 9 interviewees). The remaining four organisations (4 interviewees) had no church affiliation. All agencies were involved in some form of direct service delivery

however two also had a representative function. All agencies were in receipt of Commonwealth and/or State Government funds, and also received income from individual donors and/or members. Some had also developed corporate sponsorship arrangements and most undertook some form of active fundraising, although this differed in scale, professionalism and the proportion to which it contributed to overall income. Interviewees were sent a summary of the interview findings and invited to provide comments or feedback, but none were received.

Table 7:   **Summary of interviewees**

Organisation	Interviews 2000/2001	Interviews 2004
CSO A	CSO1	CSO16
CSO B	CSO2, CSO9	CSO9
CSO C	CSO3	CSO3
CSO D	CSO4	CSO4
CSO E	CSO5	CSO17
CSO F	CSO6, CSO8, CSO12	CSO12
CSO G	CSO7	CSO7
CSO H	CSO10	CSO18, CSO19
CSO I	CSO11	CSO20
CSO J	CSO13	CSO13
CSO K	CSO14	CSO21
CSO L	CSO15	CSO22
State funding Agency	PS1, PS2, PS3, PS4, PS5, PS6, PS7, PS8, PS11	PS11, PS12, PS13, PS15, PS16, PS17
Commonwealth funding agency	PS9, PS10	PS14

Approval was sought from the CEOs of the two funding departments to interview staff within their agencies. The CEO for the State Government funding department identified four senior executives who were interviewed. Each of these identified other staff in key areas of service planning and contracting who would be able to address aspects of the research questions in more detail. In addition, two staff in the department heard of the research and contacted me requesting an interview.

Commonwealth departments maintain state offices of different sizes and functions. Two staff were interviewed from the state office of the main provider of funds to community sector organisations. Some interviewees from the funding agencies were selected on the basis of their organisational role, either in developing policy approaches or the actual management of contracts with non-profit providers, and others were identified as part of the snowball technique. In total, eleven public sector representatives were involved in the first series of interviews.

Further interviews were conducted in the second half of 2004. The second phase of the interviews explored whether the introduction of the language of partnership had changed the CSOs' relationships with government, with private sector organisations and with other CSOs. It sought to identify changes in accountability relationships since the initial interviews, particularly given the context of an increasing discourse of partnership and governance and the Prime Minister's emphasis on increasing non-profit partnerships with business. Prior to the 2004 interviews both public sector and CSO interviewees were provided with a brief summary of the findings of the first phase of the research, whether they had participated in this or not (see Appendix 4). This aimed to encourage reflection on changes since the period of the first interviews and set the scene for the subsequent interviews. Where participants had not been involved in the first interviews, an opportunity was provided for them at the beginning of the interview to ask for clarification or more information about any of the findings included in the summary. The second set of interviews thus represented a two-way conversation about the findings and analysis of the earlier interviews and literature review as well as an interactive discussion about the directions for managing accountability in the light of changes since the earlier interviews.

The CEO or a senior manager from each of the twelve CSOs was re-interviewed. Six of the earlier interviewees were working in the same organisations and agreed to be re-interviewed. In six other organisations the individual had left or was unavailable for interview, but the current occupant of the position or a nominee agreed to participate.

Only three of the public sector interviewees remained in the funding departments. This is a reflection of the extent of change within government departments, which is likely to influence the management of accountability relationships. Two were working in quite different roles and the one person who had remained in the equivalent position agreed to a second interview. He nominated several possible additional interviewees who would enable perspectives from different parts of the (by then) substantially restructured state funding department. Interviews were requested with potential informants from key positions in contract management, service monitoring and the working group that had reviewed the planning and allocation of funding to CSOs. Four of these agreed to be interviewed. In total, seven interviews with public servants from funding departments were conducted in the second series of interviews. Six interviewees were from the State funding department and one from the Commonwealth, which had experienced extensive staff changes rather than restructuring. In total, twenty-eight interviews were conducted with twenty-two CSO interviewees, identified as CSO1-22 in the following chapters, and eighteen interviews conducted with seventeen public sector managers identified as PS1-17.

Document review

Given the identification of diverse accountability relationships, it was important to look for evidence of CSOs providing information to stakeholders other than government, where reporting mechanisms were mandated and monitored. Copies of printed material were collected when visiting agencies to interview managers. In most cases these were brochures about the organisation and services provided. An internet search found that eleven of the twelve CSOs had websites, providing a capacity to inform donors, service users and the wider community. All CSOs in the study produced an annual report. Several public service interviewees provided copies of departmental reports and the funding department websites were reviewed for documents in the public domain. The contents of the CSO documents and websites were reviewed to seek evidence of tangible demonstrations of accountability relationships with stakeholders other than government. Public sector documents provided a source of information about accountability requirements and expectations, and the espoused relationship between government and the community services sector.

Role of the researcher

Blaikie (2000) differentiates six positions the social researcher can take towards the research process and participants. This research contains elements of two of these positions – the *faithful reporter* in its commitment to allowing participants to speak for themselves and the *mediator of languages* in the active interpretation of these accounts to construct a new account. My background in both the public and community sector meant that I was known to a number of interviewees, and was familiar with the language, issues and practices of both sectors. My engagement with the community sector meant that some of the interviewees could have seen me as a

member of the sector. This was an advantage in establishing credibility with interviewees but carried the risk of imposing my views rather than listening to theirs. I addressed this by identifying my purpose as data collection for PhD research and through using open-ended, neutrally-worded questions in the first series of interviewees. I advised interviewees who did not know me of my role in the sector.

In addition interviewees were provided with two forms of feedback - a summary and discussion of the themes emerging from the initial round of interviews, followed by a two page summary prior to the second interview. The second series of interviews explored whether changes had occurred in the CSOs' management of accountability and their relationship with government. It also tested the interpretation and explanations from analysis of the earlier material.

Data analysis

Content analysis is a qualitative research technique involving classification or categorisation of text to enable patterns to be identified, inferences drawn and linkages to theory made. It enables inferences to be made through systematic identification of document content and analyzing these as specific themes. However, this is ineffective in testing causal relationships between variables (Berg, 1998). In this study, two types of text were analysed – transcripts (or the detailed notes where interviewees had declined to be audio-taped) of interviews, and annual reports, websites and other public documents produced by the organisations involved.

Computers can facilitate the coding and retrieval of data, enabling large volumes of text to be managed relatively easily (Richards and Richards, 1994). In this research, software packages (NUD*IST for the data from the first interviews and NVivo for the second), were used to manage the data. These provide a capacity to code and

interrogate the data, at the same time enabling a record to be maintained of the researcher's thoughts and comments though memos and annotations, which can themselves be coded for further analysis. This facilitates the 'dialectic between ideas and data' (Dey, 1993:7) that is central to qualitative research and can make the analysis more transparent (Crowley, Harre and Tagg, 2002).

Coding framework

Coding of text data enabled retrieval and comparison of multiple text passages. Coding categories were created from the literature and emerged from the data. In this study the original research questions identified through the literature review were used to set up initial coding categories. Further categories were added as the coding process began. When I commenced coding the second set of interviews, I reviewed the coding of several of the original transcripts to increase consistency and hence reliability (Weber, 1985). The purpose of the coding was to sort the narrative material according to themes and emerging issues, rather than in any attempt at theory building.

Ethical issues

Ethics approval for the data collection for this study was obtained from the Social and Behavioural Research Ethics Committee of Flinders University (Appendix 1). Consent was sought from interviewees at several stages of the data collection. On initial contact the researcher explained the purpose of the study and her role in the interview, that of 'student' (Appendix 2). Formal written consent (Appendix 3) was obtained at the time of the interview and interviewees were provided with a draft of the analysis of the interviews. Two of the public sector interviewees requested further discussion to clarify their views. One of these was conducted by telephone, the other face-to-face. As a result, a small number of corrections were made to names

of initiatives. No other changes were made as the interviewees agreed that while they did not concur with all of the views expressed, these were a correct interpretation of the community sector's views.

Data from this research is presented in a narrative format. There was no attempt to quantify types of responses given the limitations of the sampling method and the exploratory nature of this research. I have not matched CSO interviewees with descriptions of their organisations because of the risk of identifying the informants in the small South Australian industry.

Description and analysis are intertwined in the following chapters. Chapter 7 draws on material from the first round of interviews and explores the questions of the meaning and management of accountability in CSOs from the perspectives of CSO managers and funding agency public sector staff. This uses the concepts and questions identified in Chapters 2-4. Chapter 8 draws on material from the second round of interviews and discusses the impact of the introduction of the language of partnership on the relationship between CSOs and government, and on the management of accountability, drawing on Chapter 5.

CHAPTER 7   ACCOUNTABILITY IN COMMUNITY SERVICE ORGANISATIONS

(There) would be those who emphasise the organisation as the
church in the world, there would be those who emphasise it as
essentially a community service by which they would mean service
delivery agency, there would be those who would emphasise
prophetic voice, advocacy or policy development. There would be
even those who would emphasise community strength and
community development…..Most people would agree that the
organisation does all of those things, there would be differences
of view about whether it should do all of those things and where
its emphasis should lie I suppose. (CSO12)

This chapter draws on the analysis of the first set of interviews held in 2000/2001.

Interviews with managers in CSOs reflected the complexity of identity of CSOs, as

illustrated in the quote above, as well as the contested views of accountability

identified in the literature. CSO managers identified accountability relationships in

which the accountable party was the organisation as a whole, and/or the board and/or

individuals within the organisation. They identified their own accountability to a

wide range of stakeholders through their responsibilities for efficient and appropriate

expenditure of funds, for high quality, appropriate and effective delivery of services

and, for some, the use of their position and knowledge to inform and educate the

broader community. This chapter discusses the different accountability relationships

identified, and then examines the impact of the introduction of purchaser-provider

funding models introduced as part of public sector reform, drawing on the

frameworks and models identified in the preceding chapters.

CSO accountability relationships

CSO interviewees identified accountability relationships both inside and outside of the organisation. These are summarised in Table 8. It must be noted that the stakeholders were identified in response to an open-ended question of 'to whom do you see yourself as being accountable?' and managers were not prompted or questioned about stakeholders other than those they identified. The intention was to create a collective representation of CSO accountabilities rather than to analyse differences between different types of organisations.

The three accountability relationships common to all interviewees were those with government funders, service users and their board (or direct Church alternative). These fall into Clarkson's (1995) category of stakeholders necessary for survival, contrasted with those who have an interest in the organisation but are not critical for its survival.

Public sector interviewees were asked to identify who they saw CSOs being accountable to. They generally identified a more limited range of accountability relationships for CSOs, with the primary focus on government funders and service users. The general omission of the board (mentioned by only one public sector interviewee) could be seen as a result of their outsider perspective on the organisations. Their view is consistent with that of the House of Representatives *Inquiry into Competitive Tendering of Welfare Service Delivery* (1998), which identified accountability relationships between CSOs and their services users, and between CSOs and contracting agencies, but ignored other accountabilities. In addition, this report identified the need for accountability back from the contracting agency to CSOs (for transparency and contract management performance), in other

words, a two-way accountability relationship. This may reflect a view of the appropriate accountability for public expenditure. CSOs expressed a desire for a two-way relationship but this was rarely recognised by public sector managers.

Across all interviewees the most frequently mentioned areas of accountability were financial probity and quality of service to service users. CSO interviewees were more likely to identify internal accountabilities to staff and volunteers for the standard of working conditions than PS interviewees, which may reflect a lack of awareness of concerns about these issues in the sector or may indicate an emphasis on output and outcomes rather than process.

Accountable to government funders

Two areas were identified as part of the accountability relationship with government – actual management of the money provided and accountability for what it is spent on. CSO managers saw government funders as having a primary concern with financial reporting. In the past this had been limited to demonstrating acquittal of funds but was now seen by both CSO and public sector managers to involve demonstrating value for money. While this was seen as appropriate, there was less certainty about how this could be demonstrated, and the existing reporting requirements were identified as sometimes inappropriate and inefficient. The focus on program-based funding created additional work for agencies that might receive the majority of their government funding through a single department but were still required to acquit funds on the basis of multiple smaller amounts from different program areas. Public sector managers appeared to see the world of CSOs through program lines, while CSOs structured their service delivery around different parameters, including location, service user group or issue.

Table 8: **Who CSO managers (2000/2001) see themselves as accountable to...**

Agency	Interviewee	Accountable to:									
		Board#	Clients	Staff	Volunteers	Values	Govt funders	Donors	Church*	Community	Other agencies
A	CSO1	X	X				X				
B	CSO 2	X	X	X	X		X			X	X
B	CSO 9	X	X	X			X				
C	CSO 3	NA	X				X	X		X	
D	CSO 4	X	X				X		NA	X	X
E	CSO 5	X	X	X			X		NA		
F	CSO 6	X	X	X	X	X	X		X	X	X
F	CSO 8	X	X	X		X	X			X	
F	CSO 12	X	X	X		X	X	X		X	X
G	CSO 7	X	X	X	X		X	X	X	X	
H	CSO 10	X	X			X	X	X		X	
I	CSO 11	X	X				X		NA	X	X
J	CSO 13	X	X	X			X		NA		
K	CSO 14	NA	X				X		X		
L	CSO 15	X	X		X		X		X		X
12		**13**	**15**	**8**	**4**	**4**	**15**	**4**	**5**	**8**	**6**

Shading indicates interviewee identified an accountability relationship, no shading that no relationship was identified

Two agencies did not have a board

* Four agencies had no church affiliation

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A further difficulty for agencies occurred with time delays in funding allocation, for example agencies spoke of commencing provision of a new service on advice that they had been awarded a contract or a contract having been renewed, but funding was not provided for some months after the nominated date. Larger agencies usually had sufficient cash flow to manage this situation, however it caused difficulties for smaller agencies. This was one area where funders were identified as needing to demonstrate a greater sense of accountability towards service providers.

Both CSO and public sector interviewees clearly identified the right of government funders to require information about the services being provided. Public service managers generally described this in terms of activities undertaken or outputs provided. CSO managers were again concerned at the resource impacts of output reporting. Funding for a particular service was often sourced from different departments or levels of government, each of which had different and incompatible data collection requirements.

Great variation was evident between government program areas in the extent to which agencies were required to provide information beyond financial acquittals. In some programs, monitoring and/or auditing was seen as excessive and pedantic. In others little information was requested at all. Differences occurred across levels of government, between programs in the same level of government and even within programs. This latter situation tended to result from maintaining historical reporting arrangements for existing programs in recognition of the concerns about competitive tendering and its consequences in the sector. This only added to the diversity of accountability arrangements experienced by CSOs:

So, in a sense we've got two funding schemes running I suppose,
the old one, which was "you got it last year so you'll get it next
year", although we are starting to be clearer about what we are
wanting out of that, but it's always hard to change old behaviour.
But with new money we are being much more targeted, direct and
accountable. (PS2)

Concerns with differences in levels of monitoring were raised in two contexts: first the overall inconsistency of level and type of monitoring required across programs, compounded in some programs by differences in interpretation arising from individual contract managers; and second the lack of flexibility to reduce monitoring for agencies that received only small amounts of funding through a particular program:

That Department funds a whole wide range of organisations,
including those who are well staffed and very slick, and
organisations like ourselves, I would consider ourselves to be
middle range, and we are good at what we do, but we don't have
a huge staff, to organisations perhaps in rural and remote areas
that are completely and absolutely run and managed by
volunteers. So the scope is huge. (CSO2)

Public sector managers in the State Government recognised the validity of concerns and at the State level indicated a commitment to developing consistency across program areas in service agreements, with a goal of a single agreement per agency with a set of relevant schedules. Interviewees saw little likelihood of Commonwealth funding arrangements being brought into line with those of the State, given the Commonwealth's requirement of consistency across states and existing expenditure on the creation of data collection systems in particular program areas.

Some CSOs also attempted to influence the shaping of the accountability

mechanisms required by funders during negotiations about service agreements in re-funded programs. The effectiveness of this action was mediated by the relationships between the CSO manager and the relevant public sector project officer. Some project officers had maintained previous close working arrangements while others were seen to have over-enthusiastically adopted the concept of a distanced purchaser-provider relationship.

CSO managers indicated a desire for a change towards a greater two-way accountability relationship. This finding is consistent with Bernstein's (1991) USA study, where most agency managers believed funders recognised only a one way accountability relationship despite what they saw as a requirement for mutual accountability.

Funders were generally not seen as providing information back to CSOs. This was seen to reduce the opportunities for service improvement and was a source of frustration for some CSO managers:

> *One of the issues too is that all this data is being collected and all this energy is going into collecting this information but we are receiving nothing back as to what's happening in South Australia, what patterns do you see, what trends. (CSO5)*

For some the attempt to involve agencies in planning did not appear genuine, falling at the lower end of Arnstein's (Arnstein 1969) ladder of participation:

> *We feel at times that we are so consulted, we are over consulted, but nothing changes, so they are consulting and saying, yes we want your feedback, yes we want your ideas, but to us it looks like it's just lip service. (CSO5)*

Accountable to service users

All CSO interviewees identified an accountability relationship with service users, with a focus primarily on the quality of the service provided:

> *So I don't believe that accountability to the client as such is that they have a right to dictate to you what is the nature of services you should be presenting or whatever, but I think they have a right to be dealt with incredibly professionally, with clarity about what it is that the service is on about and a degree of openness and transparency in terms of what's happening with them.*
> *(CSO8)*

> *And then there's the accountability to our clients in terms of providing dignified, respectful, appropriate and useful service.*
> *(CSO14)*

One public service interviewee also recognised CSO accountability to service users but framed it through the funder's 'expert' role in service planning:

> *The funder is basically in a sense acting on behalf of the client when it provides funding, and in terms of that, the funder should be looking at issues and resource allocation, trying to identify where the highest need is and shifting and redistributing resources on that basis. (PS1)*

This assumes that the public sector bureaucracy understands community needs, something questioned in some CSOs since their exclusion from planning processes as a result of the more distanced purchaser-provider relationship.

Two CSO managers identified their advocacy activities as part of their accountability to service users, seeing they had a role to represent the views of a disadvantaged group with limited opportunity to speak for themselves. Concerns about

incorporation of restrictions on advocacy in contracts did not appear to have been realised in the State context.

Agencies sought direct feedback from users of their service, both actively through client service charters and client surveys (via mail or within the service), and passively through setting up complaints mechanisms. Complaints mechanisms varied, with most involving a progression within the organisation's hierarchy. One agency had a process where complaints quickly moved to the CEO:

> *We tend to take it straight to me with clients. If the client complains anywhere in the organisation, then I get involved straight away. I've found because we don't hide behind structures and stuff like that, that it's usually resolved there and then. It shocks them when they make a complaint to the intake social worker and the next thing they're talking to the head of the agency. (CSO14)*

The value of obtaining feedback was both the content of information obtained, which could contribute to service development, and the message the act of seeking and responding to feedback provided about the place and value of the service users. This was driven by the values of CSOs and their managers, and reinforced by quality accreditation standards that were introduced in some program areas in which client feedback mechanisms were mandatory.

A number of CSOs included representation on advisory committees, or client involvement in planning days or consultation events around a particular issue to enable user contribution to the shape and direction of service provision. This was seen as an area with scope for further development:

> *And I would say that the worst area across the board including*

> *(own agency) would be client consultation….We have had client surveys in the past, we do take complaints from clients seriously but we haven't got a systematic methodology together to actually get continuous feedback from clients. So it's that awkward thing of assuming that everything is alright unless you hear otherwise and occasionally maybe getting a compliment which confirms what you're doing. (CSO2)*

Client satisfaction and quality of service delivery were the primary foci of such mechanisms. There was also some discussion of monitoring outcomes for clients, an area recognised as even more difficult to measure:

> *What still is, I think, generally poor although it is improving very slowly, is the systems and processes to actually ascertain and measure to determine what we are actually delivering to clients, whether in fact it's what clients are actually wanting, what they see as important, and whether in fact it's actually having an impact on clients. (CSO9)*

There was evidence that many of these CSOs recognised the risk of tokenism in client participation mechanisms and sought strategies to increase the validity of client 'voice' (Hirschman, 1970).

Accountable to the board

The CEO or manager was seen to have accountability to the board and the board, as the governing body of the organisation, to have accountability to external funders. One interviewee identified the board as also having accountability back to the staff for decisions.

Like funders, boards were seen as interested primarily in the organisation's financial status, wanting to be confident the organisation was well-run and that conditions of

government contracts were met. One CSO interviewee identified their organisation's board as having a different level of interest in 'government money' compared with money raised from individual or corporate donors. There was generally seen to be less emphasis on the board's accountability for the delivery of services. Boards appeared happy to delegate this to organisational staff. Larger agency boards in particular were seen to feel less comfortable with questions of service quality and appropriateness:

> *I think it wants to be fairly sure that the services are being delivered in a way that we are giving them quality services, but I don't think it has a real grasp on what that is. (CSO9)*

Different levels of concern by boards may reflect differences in board members' capability and backgrounds. The boards to which interviewees reported varied in board member expertise. Some consciously sought particular professional expertise such as law or accounting, others relied on community volunteers with limited time and often limited capacity. Several CEOs of smaller organisations saw that they drove the accountability relationship with the board through their provision of information in reports or orienting new board members to their accountability responsibilities. They often played a role in identifying and recruiting new board members:

> *I think that I have a lot of freedom in terms of the way I implement my management style but I use that freedom I think wisely and advisedly and I tend to overcheck if anything, with the Board, just to make sure that they are in the know and they have an ownership of various issues that I think are important for them to own. (CSO2)*

This is similar to the scenario identified by Taylor (1996:66) where 'staff are

effectively training their management committees to manage and hold them accountable'. Boards of larger organisations were more likely to be seen as prestigious, enabling recruitment from a broader pool of potential members. This offered the opportunity to capture specialist skills but also potentially distanced the board from relevant sector knowledge.

One public sector manager recognised the limitations of many CSO boards and emphasised the importance of the role of the CEO in ensuring CSO accountability:

> I think a good CEO is probably the most important thing, and if they can translate the need to have good accountability in there to the board and if they give their board good information and operate properly with all of that…. I think (good CEOs) work really well with their boards and help their boards to understand that and can shape their boards in a way that properly responds to the accountability requirements. If you've got a CEO who's not doing that, then my experience has been that we are in trouble. (PS2)

Some boards were seen to rely on reports on activity and programs, as well as their trust in senior managers, rather than ensuring systems were in place:

> I've seen boards operate at different levels. On the larger board, they're certainly keen to make sure that everything is in order, that it's not losing money, there's good management processes in place. There's still yet, I don't think a maturing of asking 'have you got contract compliance systems in place, have you got formal systems in place that says here's your list of contracts, this is the date of them and this is the sign off for contract compliance', I have seen very little of that around, and certainly we're only just at the beginning of that at X. (CSO12)

Several of the agencies providing interviewees had an advisory board structure in

addition to the governance board. Functions included provision of stakeholder views, networking and fundraising. This structure added another stakeholder whose needs had to be considered.

Accountable to staff

Eight service providers identified accountability relationships with staff. This was seen as a two-way accountability relationship between staff and the organisation. Staff were seen as being accountable for their work, its quality and outcomes. Supervision and performance appraisal were mechanisms identified to assist in the expression of this accountability:

> *People do their own monitoring and their own degree of accounting for what they do. Internal supervision, of course, keeps some eye on what people are doing and offers some mechanism for accountability internally. (CSO12)*

Organisations are accountable for the provision of a safe workplace and professional human resource practices, including clear job descriptions, training and grievance mechanisms. In addition, the organisation was seen as being accountable to staff for decisions and policies. This was expressed through consultation/participation mechanisms including staff representation on boards, involvement of staff in planning and internal transparency. Providing staff with information (for example the content of service agreements, the interpretation of performance measures) was seen as a way of increasing self-monitoring which enabled them to contribute to the improvement of the service delivery quality:

> *You start to get people thinking in terms of not just a stat that says 'we're very busy because we saw X number of people', you actually start putting it into context and start comparing it to previous performance or whatever and then you say 'well, what's*

the good service that you provided?' and you start to ask the
question, you say 'well what does constitute a good service?' and
you use colloquial terms. It is a cultural change and a lot of other
parallel ways of talking about quality assurance. (CSO6)

Two public service managers identified the existence of CSO accountability to staff
but did not elaborate on what this might involve.

Accountable to volunteers

Four service providers identified accountability to volunteers. Similar accountability
relationships were identified with volunteers and staff, including information
provision and input into decision-making. There were indications of an increased
formality of the volunteer relationship with the introduction of formal job
descriptions, increased training and application of disciplinary provisions. As
volunteers are not paid, additional support and interaction could be required to
maintain their engagement with the organisation. One CSO manager described the
need to be exceptionally responsive to volunteers to ensure their continued
commitment to the organisation.

Accountable to mission/values

Four service providers discussed accountability to the agency's mission or
philosophy either directly through reference to working within the parameters of an
articulated statement, or indirectly:

Policy isn't just about bureaucrats and paper and stuff that you
don't read, it's actually about stuff that's meaningful and it's
about values and it's about the work you do, and it's important
that we are able to live out, and know we're living out the values
of what we do in way we do it. (CSO6)

The content of mission and philosophy statements had been actively debated within these organisations, often involving different stakeholder groups.

Accountable to the community

Five service providers spoke of an accountability relationship with the wider community. Agencies saw this as a pro-active relationship:

> *But in fact, accountability is a much wider thing. It's really about where you fit in the wider community. As a human service provider, being accountable is also about ensuring that people really understand why people are homeless and about their experiences. That the myths and the beliefs that people have about these people are challenged. We have a role to be accountable in what we do, but we also have to be accountable in presenting the people that we work for in a just way. (CSO7)*

This was expressed in part through actively trying to educate the public around social justice issues through the development of local consultation forums in the community where the service is provided, advocacy, trying to get stories into the media, and provision of information through newsletters and websites both for donors and a wider audience:

> *One thing I haven't mentioned I suppose is accountability to the general public or community and it is part of our sort of trying to think about what's our accountabilities to staff and volunteers, we've been thinking about that and one way in which we've been dealing with it is to try and provide much more targeted and reasonably well thought out information strategies. (CSO12)*

Two interviewees identified politicians as a particular group within the community to whom they felt accountable for education:

> *Politically, I personally believe we have a political accountability*
> *to keep the local Members of Parliament informed about the*
> *issues we're dealing with. So we do try and meet with them*
> *regularly. (CSO4)*

Community accountability also involved those who live, work or study in proximity to the service users:

> *I think the second layer of accountability has to be the local*
> *community, the community with which we work. Depending on the*
> *program, that involves a number of players. It may be people who*
> *live alongside our tenants. So we're often involved in calming*
> *down some situations that arise. Trying to dispel prejudice*
> *against (service users) in general - anxieties and fears around*
> *(service users) living next door. (CSO4)*

This provided a greater challenge for agencies providing rural services because of the extensive areas covered. One rural service provider also indicated an apparent lesser understanding of broader social disadvantage in the context of the recent drought.

Accountable to the church

Five interviewees identified an accountability relationship to the auspicing church. Two of these were from the church-affiliated agencies, which were not separately incorporated bodies.

One CSO believed it was important that the organisation be seen within the church as 'not just another government agency':

> *To me, it's really important that we maintain those linkages – that*
> *the Church owns us – because we're doing the caring stuff but*
> *we're part of the Church. (CSO3)*

This has practical implications for the way the agency works, for example linkages were attempted with the local church minister when establishing a new service and the agency was developing a policy on how to work with local congregations. Information about the service was provided to all congregations through a network of congregational representatives. However, this also meant there was a strong sense of influence from ministers and parishioners, who felt free to comment on staffing as well as programs.

The other three interviewees, who worked in organisations which are church affiliated but separately incorporated agencies, identified the church as one of the parties to whom they were accountable. However, they saw this as one among many accountability relationships:

> *I consider that we do have accountability to the parish and the church community in the same way that we should be accountable to the wider community, our clients, and to those who contract to provide services. (CSO7)*

In some CSOs there was a capacity for nomination of board members through the local parish or church body, which provided a direct sense of accountability to the church. Two interviewees made links between Christian values and the social justice values of their agencies:

> *We're not a Christian agency, but we could be. And we're not over abundantly blessed with people who go to church here. But I think philosophically we share very similar views and that helps. (CSO4)*

> *I have got no alliance to the church whatsoever. But their principles of justice which come from their faith, they gel with mine. So it's not a difficult thing to do. I don't have artificial*

barriers. But sometimes it's funny when you're talking to people.
You know, like trying to sort out the Bishops and the Archbishops
and the Deacons. It's really all quite confusing, but certainly I
feel absolutely accountable to them. Also, to morally meet their
expectations and to not do anything that's contrary to their faith
and to their principles. So we have to be. I mean, they employ me,
for goodness sakes. You have to be careful and considerate of
those things. (CSO7)

Accountable to other agencies

Six interviewees identified accountability relationships with other agencies. In some cases this was through an affiliation with equivalent agencies from the same denomination in other states. There were also networks of agencies working with similar service users, which functioned with different degrees of formality. Some agencies were also part of regional affiliations and members of peak body organisations.

The encouragement of collaborative tenders in some government-funded programs had led to more formal linkages between some agencies. These included both partnership and sub-contracting arrangements. Accountability in these more formal relationships needed to be managed carefully:

So yes, whilst in principle I believe very strongly in working
collaboratively, I do think there are different types of
accountability issues to when you have one partner that's funded,
and one or more others that are part of the collaboration in the
program. Obviously that's about the funded partner having to
report to the funding body. There is a power differential, whether
stated or unstated. (CSO4)

Accountable to donors

Three interviewees discussed their accountability to donors. Individual donors of goods or money were seen to have different expectations. Donations of goods were expected to be used within the agency, regardless of whether they met the agency needs. One smaller agency used donor funds only for services and programs that did not receive government funding and made this clear to donors and potential donors. Larger agencies tended to have more professional and generalised campaigns but also sometimes sought donor funds for particular programs.

Interviewees identified a need to report and provide information to their donors:

> *We are accountable to the people who give us the money for that, and we report to them regularly in great detail about exactly where that money goes and how we do it…We produce a newsletter to inform the community widely about what we do and distribute that and talk to groups. (CSO7)*

> *Now there's someone out on the road visiting people, give them information, with organised tours of the services and things like that for the donors so they can see what's happening to their money. (CSO10)*

Sometimes tensions needed to be managed where organisation activities could be seen to be incompatible with conservative attitudes of generally older donors. Interviewees' examples included needle exchange programs, services for same-sex couples and support for Temporary Protection Visa holders.

Some agencies were developing relationships with businesses:

> *We have a relationship with (business) where the staff were very involved in fundraising and the parent body was actually managing their funding and we had people come and volunteer at*

> *the (agency location) so the kind of concept of business-*
> *community partnerships is really to look at that at all levels.*
> *(CSO10)*

However issues were raised about the risk of the relationship's longevity whether
through unreliability of volunteers or staff wanting to change the recipient of their
donations. Corporate sponsorship did not always meet the organisation's needs:

> *What we need is money to run program, and the in-kind stuff and*
> *the staff support and all those things are very nice, but they don't*
> *actually help you to get a program up and running long-term and*
> *keep funding the staff and salaries, you know nobody wants to*
> *fund salaries, they give you fridges and capital in kind goods and*
> *all that sort of stuff. (CSO10)*

Five examples of newsletters provided to donors and other supporters were obtained.
These appeared to serve several purposes including:

- increasing donations through a purposive appeal for funds or inclusion of a
  donation slip, reinforced by stories about the outcomes of previous fundraising
  functions or campaigns and 'thankyou' to supporters;

- raising awareness of current issues for the client groups(s) through client stories,
  editorials and/or articles on agency research and evaluation; and

- provision of information about changes within the CSO.

Eleven of the twelve CSOs had a website, which is consistent with Bothwell's
(2000) finding of an increased use of the internet as a tool for providing
transparency. These varied considerably in the extent of information provided, with
donors (and in some cases current and potential service users) appearing to be the
target of the information provided. All provided key information on the

organisation's philosophy, purpose and activities. Other material provided included:

- history of the organisation;

- annual reports;

- other publications including brochures and newsletters;

- acknowledgement of corporate donors by name or donors as a category; and

- information about service user rights and complaints mechanisms.

Material provide via the internet is likely to be selective and directed at presenting a positive impression of the organisation to donors and hence not sufficient to indicate transparency (Onyx and Dalton, 2004).

Annual reports differed in the extent to which income was broken down by organisational level and government funding was acknowledged. One agency included detailed output and performance statistics with comparisons to previous years' performance, while others provided broad output data only.

This discussion of the interview findings highlights several dilemmas for CSOs receiving government funding. CSOs may share similar goals to governments in some areas but believe in using different means to achieve them. However government funding is an essential source of funds for the community services sector in Australia. In addition, while they play an important role in government service delivery, CSOs have other roles including advice, advocacy, information and campaigning. Knowledge gained from advocacy and campaigning can inform service planning and in some cases even increase the capacity to deliver effective services, but may be perceived by government as in conflict with the requirement to

provide services on its behalf. Several CSO interviewees framed their advocacy and campaigning activities in terms of accountability to stakeholders other than government.

A web of accountability

These interview findings can be mapped (see Figure 18) with arrows indicating the perceived direction, and thickness of arrows indicating the relationship's strength. Mapping the relationships suggests CSO managers see themselves and their organisations surrounded by a web of accountability relationships.
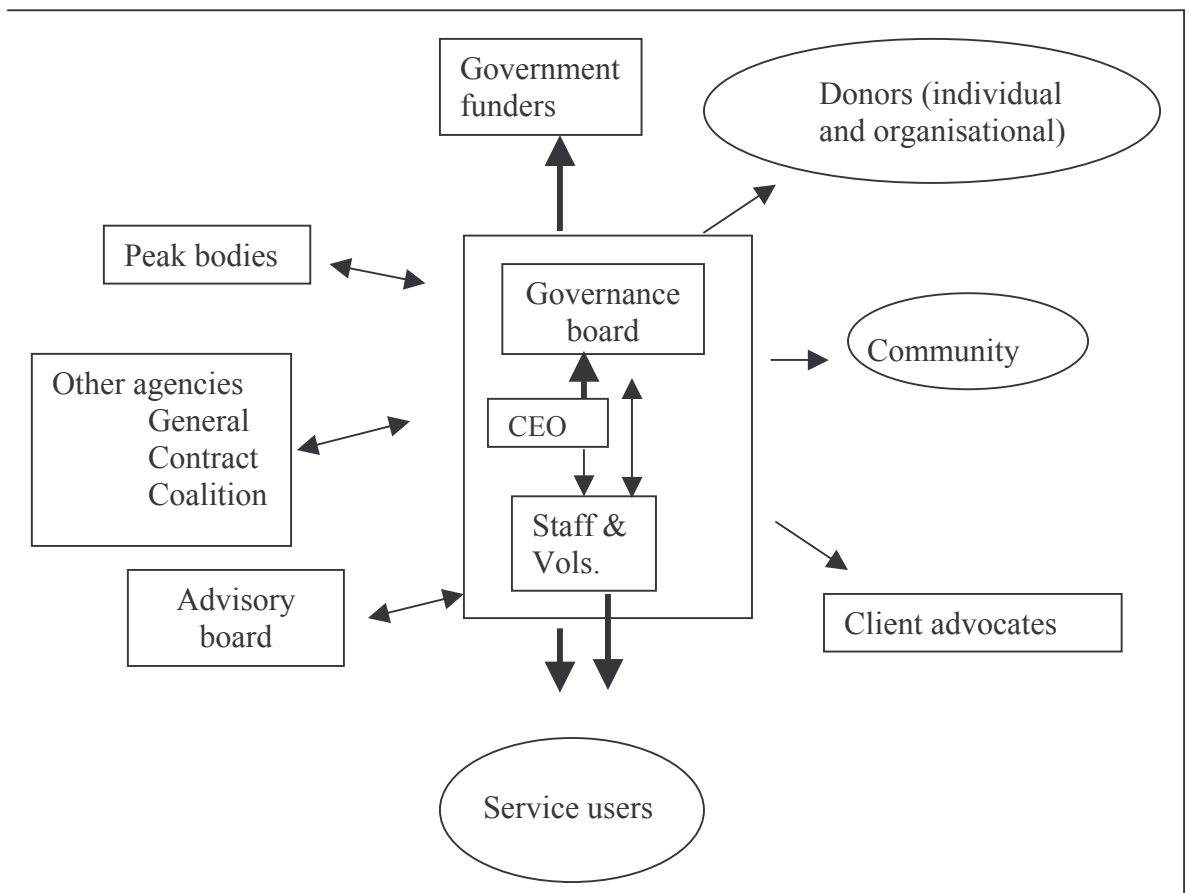
Figure 18: **CSO Accountability 'map'**[9]

The concept of an accountability web is not unlike that described for the public

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9 Some service areas allowed for client advocates but still identified the primary accountability to the client.

sector itself by some authors (Romzek 2000; Scott, 2000; Rhodes, 2005), though the number and characteristics of the stakeholders differ.

Analysis of the interview data in this section will show that some of the strands of that web are stronger and tighter than others, potentially pulling the organisation closer to particular stakeholders. The pattern of strength varies between organisations. The strength of the strands is a function of values of the organisation, manager and staff (moral basis), and the stakeholders' capacity to impact the organisation (prudential basis).

Unlike the spider's web, some of the strands are spun by the CSO or manager, others are spun by the stakeholders and others are mutually created. In this sample the CSO managers' understanding of accountability fitted with broad rather than narrow definitions. It included what is characterised by responsibility by those writers who prefer narrow definitions of accountability, in the sense of responsibility preceding accountability and lacking mechanisms to structure it (Bergsteiner, 2002; Gregory, 2000; Mulgan, 1997, 2000a). While most accountability relationships involved two parties, there was often no formal delegation of expectations or formal capacity to demand reports or apply sanctions. The multiplicity of actors participating in these accountability relationships included both individuals and organisations. There was no evidence from the interviews of a weakening of the importance of external scrutiny. Instead this was accepted as necessary and important, and only criticised where it involved duplications and excessive expenditure of resources.

Source of accountability

In analysing the data it was possible to differentiate Brown, Moore and Honan's (2004) moral, legal and prudential bases of accountability. Accountability relationships with some stakeholders could be argued to have multiple bases,

although interviewees were more likely to discuss legal and moral rather than prudential bases. Moral bases of accountability derived from social justice and Christian values, with organisations' missions reflecting these. In smaller organisations in particular the CSO managers' personal values appeared to play a significant role in the emphasis placed on these.

Government funders

Government funders were seen to have a legal basis for their accountability relationship with CSOs. While a prudential basis (through the risk of withdrawing or reducing funds) would also be expected, this appeared to vary between CSOs. Although all CSOs received the majority of their funding from government contracts, larger CSOs tended to receive a greater proportion of their funding from donors and to be funded from different program areas within the State government. This diversity of funding sources provided resilience. While CSO interviewees identified the potential for withdrawal or reduction of funding as possible sanctions and the capacity to do so was noted by some public service managers, no examples were identified where this had happened. Both CSO and public sector managers were aware that the competitive tendering and rationalising of service provision had altered the power balance through reducing the number or capacity of 'suppliers' in the community service 'market:

> *Well, in reality - let's just be practical for ten seconds - we run the only (type of service) in Adelaide. If they want to de-fund us tomorrow, fine, they can. But somebody's going to have to run them the next day. Now, they can't just presume that all furniture and equipment, which we own, is going to be here; that all of our staff whom we employ are going to be here; that they're going to take over our policies and procedures. It would take them - well,*

if they've got the money sitting in Government, it takes them three
years to argue about what they're going to do, write a tender, fart
around and do all that stuff, and fill it with their favoured tender
applicant of the moment. And are they going to provide what
we're doing? The reality is that government doesn't actually have
the capacity to de-fund at will. (CSO7)

What you find over time is some organisations take on sort of
niche roles and they do become, they do monopolise different
parts of the market, and in those cases they can actually hold the
funder to ransom, or create difficulties where the flexibility of the
funder is reduced because they can't just walk out and say, 'well
you haven't performed here so we're going to pull the plug'.
(PS1)

Accountability requirements from government funders were demanded in some

instances and negotiated in others, although in practice the context was often an

extension of an existing arrangement rather than a new contract. At this stage of the

relationship funders were perceived to often hold the balance of power, as payments

would be delayed until the contract or agreement was signed. This caused particular

concern to smaller organisations that had fewer other sources of funds to maintain

cash-flows. Accountability mechanisms included reports on expenditure, activities

and outputs, participation in external evaluations in some programs and external

auditing of activities in others. The right of government funders to demand reports

and explanations was accepted, however their capacity to appraise and respond to

these was questioned.

Service users

In contrast accountability to service users was seen as having a moral basis, deriving

from the values of individual organisations and the community services sector as a

whole. CSOs attempted to strengthen their accountability to service users through the development of avenues for providing information and feedback (complaints mechanisms, surveys, focus groups, and creating opportunities for informal interaction between users and staff), and in some organisations through involving service users in committees and planning forums. One CSO had involved service users in recruitment of staff through inclusion of a service user on the panel, and in other instances, convening a panel of service users to interview short-listed candidates and employing service users as 'consultants' to show interviewees through the premises and answer questions, enabling them to provide feedback to the selection panel. These are all examples of services offering accountability mechanisms rather than negotiating requirements or having them demanded:

> *We have what's called a Client Services Charter and a complaints*
> *procedure that's in fifteen languages. That is given and explained*
> *to every client in their first interview with us so they have an*
> *opportunity to take that on. (CSO13)*

> *There's been a growing awareness that you can't just say that we*
> *respect clients' rights without actually having processes and*
> *procedures to actually back that up - in terms of being clear about*
> *articulating with clients, that they actually do have rights and*
> *they can express those rights, and there are ways of actually*
> *dealing with grievances etc. (CSO9)*

While all CSOs identified an accountability to service users it tended to be operationalised through attempts to seek feedback rather than inform or engage them. Where feedback mechanisms existed, service users were usually asked to make judgements about their satisfaction. Client satisfaction can be seen as part of service quality or as an additional aspect of service effectiveness, but is not

necessarily an indicator of either. Client satisfaction can be defined as the consumers' assessment of quality and effect, which will be influenced by their prior experiences and knowledge about standards. Incorporation of feedback from consumers can be sought to provide additional validation of other measures of outcomes and standards (Skok et al., 2000).

In some services, satisfaction can be inferred from data on attendance rates, early terminations, reapplications for service and referrals from former clients, but even here limited alternative service options can restrict validity, thus raising concerns about the validity of satisfaction surveys. The lay person may not be able to evaluate services provided objectively and may just believe, or not believe that they received a good service without clear evidence (Walsh, 1995). Service users may tend to give positive feedback due to a positive personal relationship, low expectations, fear of withdrawal of service and/or little information about what is a quality service (Bhatti-Sinclair, 1999).

Service users have limited exit options if they are not happy with services received. This has been exacerbated in some program areas through government restructuring of funding arrangements to limit services funded within geographical areas. CSOs attempted to provide service users with 'voice' mechanisms, however recognition of their dependent status may limit use of these. Some CSOs also saw their accountability to service users being expressed through the organisation's advocacy for, and education about their circumstances. Such advocacy is not always publicly visible and hence open to evaluation by those whom it affects. Mechanisms such as newsletters, websites and media releases have the potential to enable this but may be limited by service users' access or capacity to evaluate effectiveness.

Other external stakeholders

The basis of accountability to other external stakeholders including individual and corporate donors, the church, other agencies and the wider community was both moral and prudential. Moral bases derived from both individual value systems and organisational mission statements. Mechanisms for accountability to donors were primarily through information provision via annual reports, newsletters, and web sites. This accountability was offered rather than demanded. Donors have many alternative uses for their contributions to the CSO, and providing information and being responsive is one way of keeping them engaged, indicating a prudential basis to the accountability relationship:

> *We're really working hard at the moment on our more personal*
> *contact with donors and particularly to try and develop a bequest*
> *programme where donors will become loyal to the programme*
> *and they will write us into their will. (CSO10)*

Some of the concerns about increased costs of compliance with government funder requirements were also couched in terms of donor perceptions:

> *And it's not a good look. I mean, if you're running a fundraiser*
> *and so you say to people, 'Please donate to us because we would*
> *love to have a terrific audit next year'. (CSO1)*

CSOs with direct connections to a church viewed it as a source of both resources and legitimacy, with considerable capacity to apply sanctions. Churches had the capacity to withdraw funding (either directly or through influencing individual donors) and to publicly criticise the CSO. Accountability was expressed through information about the services actually provided and through evidence of financial probity. This was provided through an oversighting committee which did not have the legal authority

of a board, and in one case through reporting to a general synod in addition to the committee.

In some circumstances accountability to other agencies had a moral basis, drawing on beliefs in the importance of cooperation and collaboration. Some CSOs also identified their role with the particular service system:

> *The other thing is, in the (program area), we're certainly, I think,*
> *accountable to the (program area) system. If it's to operate as a*
> *system, if we make changes or if we anticipate making changes,*
> *we make sure we discuss it with the (other agencies') managers*
> *and seniors, for example. (CSO4)*

In such circumstances CSOs could be expected to have a good capacity to assess each other's performance but would be limited in their capacity to apply sanctions for failure. Any performance appraisal would be dependent on the level of information shared, something which was seen to have reduced since the introduction of the purchaser-provider model.

Some CSOs participated in more formally-structured relationships with other agencies as a result of forming partnerships. These could be temporary (driven by a particular tendering opportunity) or permanent. During the course of this study, for example, several of the CSOs had entered partnership or sub-contractual relationships with one or more organisations in order to bid for a particular tender. The Uniting Care CSOs had formed a network style partnership, through this was driven more by attempts to find operating efficiencies than to bid for tenders (pers. com.). Mission South Australia had become part of a network of state and regional-based Mission organisations in 1990, which then unified into Mission Australia in 2000. Several other church-affiliated organisations had developed network

relationships with their equivalent organisations in other states. Such coalitions created an additional stakeholder relationship, either formally where partnerships existed or informally, where there was at least a need to consider another player in decision-making.

Accountability in formal partnerships and sub-contracting arrangements had a legal basis, and a lead agency could be expected to have the capacity to both appraise performance and hold partners to account. One interviewee in the second round of interviews noted that the language around such relationships often mirrored that between government funder and provider.

There were no overt examples of reference to standards arising from general societal norms and values. Instead more evidence arose of conscious discussion and debate within organisations about the moral and ethical basis of their actions and attempts to involve service users. Media comment on board and director's accountability following high profile private company collapses may have influenced some managers' awareness of the need to inform and guide their boards.

Accountability mechanisms

Interviews with CSOs did not support Mulgan's (2000) contention that a broadening of the meaning of accountability leads to a weakening of external scrutiny. Instead, the increased scrutiny by government funders has coincided with and in some instances encouraged the development of additional mechanisms for accountability to other stakeholders.

While government requirements for consumer redress mechanisms vary across programs, Tang's (1997) argument for a loss of accountability for service users was only applicable where services were previously provided by government, which has

been minimal in South Australia as already noted. In all other areas CSOs appeared to be conscious of and to take action on developing avenues for service users to raise concerns, and some took this engagement further to include service users in formal and informal consultative mechanisms to contribute to service planning and improvement. This is one area that CSOs identified as still requiring substantial development.

Examination of annual reports showed that CSOs in this study received differing proportions of their funds from government. Some experienced tension between their own construction of accountability and that of government funders, which was overlaid on existing mechanisms rather than being adapted or integrated. However interviewees generally appeared able to incorporate funder accountability requirements without changing their perception of accountability to other stakeholders. The exception to this came from those organisations that had decided not to tender for certain contracts where they perceived potential conflict between their accountability under the contract, and their accountability to their mission and service users.

The two strongest driving forces for CSOs' introduction of accountability mechanisms were government funders' requirements (a form of coercive isomorphism) and establishment of legitimacy in the eyes of the wider stakeholder group. Several CSOs participating in the first round of interviews had commenced activity aimed at achieving some form of external quality accreditation over and above forms required for particular programs. The varied reasons given for this action included awareness of the need to increase internal monitoring and accountability and, for some, a sense of positioning the agency strongly for future

funding. The move towards adoption of quality accreditation is suggestive of mimetic isomorphism (copying of successful organisations) and could also be viewed as indicating a strategic response to accountability demands (Kearns, 1994).

The bases of internal accountability also included prudential, moral and legal aspects. The legal requirement for staff, and to a lesser extent volunteers to comply with agency policies and procedures, and for the agency to comply with employment-related legislation was identified. In addition there were conscious attempts to consult with and provide opportunities for staff engagement with decision-making that drew on a value base and could also have been evidence of normative isomorphism with the increased professionalisation of CSO staff.

CSOs are subject to the same range of legislative requirements for the employment of staff as any other organisation. Some of these were perceived as adding unnecessary burdens to the management of CSOs. Where changes (for example to Occupational Health and Safety legislation) had occurred concurrently with the changes to funding for service delivery there was some tendency to aggregate the impact into a single complaint of 'increased government control'. The CSO sector saw itself as disadvantaged in the area of employment because of a relatively lower award structure than government employees. This led to difficulties in recruitment, and higher turnover in some areas. It had a particular impact on some organisations in 2004 when the State Government initiated a significant expansion in the number of social workers employed in child protection. Many of these were recruited from the community services sector, leaving some organisations with staffing shortages.

Some CSOs were not willing to compromise their accountability to their mission. Three spoke of consciously deciding within the organisation not to tender for

particular funding (for example, Job Network or alternative care) because of their perception of incompatibility with the agency mission and/or a concern about the extent of government influence on their activities.

CSO managers recognised their legal accountability to the board through the hierarchy of the organisation. In large CSOs this had the potential to lead to middle managers making similar criticisms about the organisation as those made by smaller organisations about government:

> *I think one of the problems with accountability is that organisations like (CSO name) tend to expect the same level of accountability from each program or department, irrespective of size or capacity to actually respond to all those demands, so we get a lot of paper around here, a lot of forms to fill out, a lot of things to do, a lot of meetings to go to, all that sort of stuff. We just haven't got the human resources to do all of that, so we have to be selective. (CSO2)*

CSOs differed in the degree to which they used proactive rather than reactive strategies with respect to accountability relationships (Kearns, 1994). In general, attempts to influence accountability requirements with government appeared to have reduced immediately after the introduction of contracting, partly as a result of public sector concern to maintain a distanced relationship in the early days of the introduction of purchaser-provider models. However dialogue about accountability requirements has since re-established. Accountability to donors through the provision of information about the use and effectiveness of donations was largely pro-active and more explicit in the larger organisations, which also tended to employ professional fundraising or public relations staff. Smaller organisations appeared to rely on local communities and existing networks for donor funds and tended to rely

more heavily on government funding. Brown et al.'s (2004) legal basis of accountability (see page 10) could be usefully differentiated into structural and delegated accountability as in Leat's (1988) model.

Based on the responses of CSO managers the prudential basis of accountability is not discrete, but appears to overlap with both moral and legal bases. Prudential reasons tended not to be specifically articulated but could be inferred through expressing the need to be responsive to donors, and to ensure funders requirements were met and hence program funding continued. Accountability to service users was primarily moral given the lack of choice of service provider in more program areas, although an element of prudential accountability could be argued to exist where accreditation requirements mandated feedback and complaints mechanisms.

Having determined the basis of accountability a further distinction can be made as to the basis of the accountability mechanisms – whether they are demanded by the stakeholder to whom the organisation or individual is accountable, negotiated between the two parties, or offered by the accountable agent. Whatever the basis, there remains a question as to the stakeholder's capacity to appraise the information provided as part of the accountability mechanism, and to apply some form of sanctions if expectations are not met. Unless this exists, the accountability relationship with that stakeholder is reliant on both the CSO holding and operationalising particular values. It is clear that some of the CSO interviewees in this study go beyond Barrett's (2001:85) definition of stakeholders:

> Stakeholders are identified through the actual or potential harms
> and benefits that they experience or anticipate experiencing as a
> result of the firm's action or inactions.

Table 9 provides a possible classification of the accountability owed to different stakeholders, based on the interviewees' responses and the review of agency documentation. It shows that the bases of accountability and accountability mechanisms differ across stakeholders. The limited capacity of stakeholders to apply sanctions suggests that these are not the driving force for managing accountability in CSOs, locating them more towards the positive end of Swords' (1999) accountability continuum. This suggests that educative, supportive approaches by government are likely to be more appropriate than punitive/regulatory approaches.

Table 9:   **Basis of accountability to different stakeholders**

Basis of accountability	Board	Clients	Staff	Volunteers	Values	Govt funders	Donors	Church	Community	Other agencies
Legal - delegated	Through employment contracts	May be included in service contracts	Through employment legislation			Through service contracts				Where formal partnerships entered into
Legal - structural				yes				Where have direct relationship		Where have need to work cooperatively
Prudential	yes		yes	yes		Depending on dependence on govt funds	yes	Where separately incorporated	Where seeking to extend donor or volunteer base	
Moral		yes	yes		religious or social justice basis				For some	Some – to wider sector

Table 9 continued

Basis of accountability	Board	Clients	Staff	Volunteers	Values	Govt funders	Donors	Church	Community	Other agencies
Basis of accountability mechanism										
Demanded	Some aspects	Some accreditation systems may require complaints mechanisms				Some aspects		Where direct relationship		
Negotiated	Some aspects					Some aspects	Possibly with large donors			Where delegated authority
Offered		Mostly voluntary	yes	yes	yes		Some - provision of info about use of funds		Some – selected information	Other circumstances
Capacity of stakeholder to:										
- appraise information	Variable	Likely to be limited	Some	Likely to be limited	Largely self-monitored	Emphasis on $ and outputs, less so with outcomes	Variable	Variable	Variable	Those working on same sector likely to have capacity
- apply sanctions	Terminate employment/ wind up org.	If voice mechanisms	Exit and voice	Exit and voice		De-fund	Withhold donations	Withhold funds/wind up if not incorporated		Limited – eg choose not to partner

This analysis of data from the 2000/2001 interviews with CSO and public sector managers shows the complexity and diversity of the accountability relationship that CEOs of CSOs are required to manage, and the inclusion of broad as well as narrow definitions of accountability. Based on this analysis, a more suitable description of accountability in the community services sector is suggested as:

- Accountability requires a 'holding to account' of both the organisation as a whole and individuals within it for their actions or inactions.

- The standard or criteria by which the accountable actor is judged may be external to the actor in which case they are either imposed or negotiated or volunteered, or may be internal in which case they are adopted or developed.

- External accountability is manifested through the provision of information.

- Internal accountability requires a process of conscious reflection by the accountable actor.

- Sanctions can be externally imposed as part of the accountability relationship with an external actor or can take the form of expenditure of resources to change some aspect of the accountable actor's behaviour.

This section has identified that a web of potential accountability relationships surrounds managers in CSOs, and has suggested a more extended definition to capture this complexity. It has shown that different organisations identify different patterns of relationships, although all include government funders and the board, drawing on narrow definitions, and service users, which requires a broad definition. Some CSOs emphasise particular relationships, often based on particular values, whether Christian or social justice. The management of accountability is primarily driven by the stakeholder in some relationships, and by the organisation itself in

others, which may effectively mean it is driven by the CEO's individual values and attitudes.

The impact of the introduction of purchaser-provider models

> *Public sector reforms throughout the 1980s and 1990s led to a change in that relationship. We have changed in the last two decades from grant-based and a view that Government would fund organisations to go away and do your thing. You know, 'We believe that you're a good organisation to work in this area, here is some funding'. (CSO8)*

The introduction of the language of contracting, purchasers and providers raised many concerns and fears within the community services sector, and there are different views as to the extent to which these have been realised. In SA true competitive tendering has been limited largely to newly introduced services and restructuring some areas of service provision. The introduction of purchaser-provider arrangements to most previously funded services has meant primarily a change of focus and framework for service agreements. Instead of receiving funding to meet a particular need identified by CSOs or government, the direction of activity has been more explicitly directed towards the achievement of government policy outcomes, expressed through the identification of output and activity measures in service agreements and contracts.

This section again draws on the analysis of the first round of interviews to review the impact of the introduction of purchaser-provider models on South Australian CSOs. The development of contracts or tightening of service agreements required a clearer focus on what activities were being funded and what services provided. In some instances this was seen to be protective for both the purchaser and provider.

However, to be effective, the translation of policy outcomes into service specifications requires the development of programs and design of monitoring systems within the framework of the logic underpinning a program (see Funnel, 1997). This has the potential to result in a different emphasis than that which derives from a CSO's assessment of need or emerges from its responsiveness to its service user group. The resulting tension between accountability to the government funder and to service users presents challenges for CSO managers, and can be of particular concern to front-line staff closest to service users. Some CSO interviewees saw this change as appropriate:

> *Now an agency may be saying 'look we are experts in this area,*
> *we are doing this work anyway, we are happy to do that', but they*
> *need to understand that they are doing it in line with policy and*
> *all the rest of it. And they can lobby that and negotiate, but I'm*
> *very clear in my mind that an agency just hasn't got the right to*
> *take the money and run. And that's been one of the hardest*
> *changes that I think the non-profits have had to come to grips*
> *with. That in fact what we've seen is a maturing of government*
> *administrative policy in a very positive sense in my view. (CSO8)*

Concerns and fears within the community sector as the purchaser-provider and competition reforms were announced were communicated to government directly by CSOs and peak bodies. One senior state public sector manager recognised and responded to these:

> *I travelled around a lot and talked to people and I got a common*
> *complaint that the competitive tendering mechanism had been*
> *detrimental to relationships between community organisations. So*
> *I took that on board and as part of the purchasing framework, I*
> *said that competitive tendering will, in the strict form, will only be*
> *used where we've got a very clear identifiable product, where we*

> *can clearly specify outcomes and the links between products and the outcomes, and where there is a mature market, and that by and large doesn't apply to most community organisations we fund. (PS3)*

The adoption of the funder-purchaser-provider framework led to a restructuring of the funding department into separate policy, contract management and service management areas. The changes involved some public servants moving to a more specialised role, providing some advantages:

> *But I have to say that the most significant advantage of this approach is that you have people in contract management who specialise in contract management. And hopefully we know what we're doing. We don't dabble in service development. We don't dabble in developing new models. We do hopefully what we do best. So you have, I think, a greater depth of expertise in each area because you focus on each area. And contracting, whether it's SAAP or F and CD or HACC contracting, is contracting. The issues are essentially the same. (PS11)*

It clearly took time to 'bed down' the changes. CSO managers told stories of contradictory responses to a draft service agreement from contract management and service delivery areas of the funding department, and failures of communication between service development and purchasing staff in the negotiation of a large contract.

Most of the Commonwealth funding received by CSOs in the study was channelled through the local State office, with local project officers managing the relationship with CSOs while policies were determined in Canberra. Changes to both the language and practices of funding CSOs occurred in the Commonwealth departments over a longer period of time than in the State system and generally occurred later.

State office staff in Commonwealth funding agencies believed that CSOs had adapted to the language of contracting by the time the Commonwealth department began to introduce changes and indicated that few concerns were raised by CSOs.

In this study CSO interviewees raised a number of concerns about the use made by funders of the information provided through mandatory reporting. Some organisations felt government funders were not maximising the value they could obtain from CSO reporting:

> *They don't ask us how we've gone, in a qualitative sort of way, they don't ask us how we've gone, whether we are seeing any different needs, whether we are able to meet all the needs, whether we have turned people away…They really just want qualitative reporting, sorry quantitative reporting and they really don't ask us for any feedback, and they don't give us any feedback about how we've gone. (CSO2)*

Where information in addition to financial acquittal was requested it tended to be output data, whereas interviewees saw that they could add value to planning processes through the provision of more qualitative information. Frequent changes in reporting requirements were also highlighted as a frustration preventing longer-term monitoring within agencies. Several also identified a desire for feedback from funders drawn from analysis of sector data.

Consultation with CSOs or requests for feedback were often perceived as merely a token gesture:

> *Whereas if you actually say, 'Look this has got some problems', they don't want to hear it. They say they do, but they really don't want to hear it because they get quite irritated by it and they say, 'well come up with solutions', but when you come up with*

solutions they are not the solutions they want to hear because they
want to measure different things. They want to measure things
that are easier for them and we want to measure things that make
a difference at the community level, that the community wants to
see happen. So I guess philosophically we are coming from two
different thrusts. (CSO5)

Other CSO interviewees found that the relationship was more than provider of a purchased service, and felt they were able to provide input that could be used in service planning and policy development. This was often through having long-term involvement and hence a profile in the sector, and in some cases through personal relationships with funding department staff. Some saw the involvement on government committees, working parties, and participation in forums and pilot program steering committees as giving something back to government and the community:

The other major link we have with funders is (listed working
parties and committees), we get involved in those sorts of things
from time to time and that's seen to give back your expertise in
service delivery and exchange for your funding (CSO4)

Such opportunities were reduced in the early days of purchaser-provider funding approaches.

Two CSOs expressed concern at funder attempts to control agency activities, either through exerting pressure to provide more than was contracted for or to use donor funds to meet government objectives:

Recently I made a decision not to provide a service that was
outside our work plan and our work plan more or less said what
we were actually going to do, and our strategic plan said more or

> *less what we were going to do and that's what we signed off on with the government, and the government came along and said, 'Look, we want you to do this', and I said, 'Look I don't have any resources to do that', and they said, 'I'm really disappointed in you', you know, pulled a parental sort of number on me and I said, 'Look, we are already stretched, we've signed off on this, I don't have the resources to do that'. (CSO5)*

> *I know there are some people within the department who feel that they should be able to direct where our donated money goes, and that's garbage. (CSO7)*

Some of the negativity expressed by CSO interviewees about the impact of government changes related to what could be described as 'company accountabilities' in that they applied across private and non-profit sectors. A number of such changes were implemented over the same period as the changes to funding relationships and were seen to place an increased burden on non-profit organisations through additional staff time needed for monitoring and reporting, and in some cases increased capital costs. The expression of such concerns differed with the informant's organisational role, with more senior staff being more aware of the financial impact of these changes.

One of the sector concerns identified in the early days of purchaser-provider relationships was the impact on smaller organisations and the risk of loss of diversity in the sector. Interviewees from smaller organisations discussed the impact of tender writing on their service delivery capacity. The smaller organisations in this study were responding to these pressures by seeking to expand the organisations (through attracting additional government or private funding) or were considering forms of amalgamation as a response to funder requirements for tendering, accountability and

more complex service provision structures.

Reporting arrangements

Seven CSOs identified concerns about the changes to reporting arrangements, with a common theme of increased cost through staff time spent on meeting requirements. Reporting arrangements for Commonwealth programs were of particular concern, as these tended to require extensive reporting requirements regardless of the amount of funding. This had a particular impact on agencies providing services to rural areas with a smaller population base and on small agencies that were funded for a single geographic area. Larger agencies were more likely to be able to employ a quality manager or similar position to manage reporting requirements, while in smaller agencies this role was carried by a staff member or line manager if the funding was sufficient to employ one. In either case, most saw a negative impact on service delivery:

> *The resources are now being drawn into accountability (requirements) rather than into the actual service delivery and there's this goal displacement happening here where we are more concerned about doing the stats and getting the stats rather than actually doing the work and looking at the work we are doing and continuous improvement methodology, which is really frustrating. (CSO5)*

The frustration was not only focussed on the volume of reporting. Different funding programs often required essentially the same source data presented in a different way, which generally differed again from the agency's internal reporting system and accountability systems (where in existence). That created a tension around the emphasis on accountability activity as required by funders and that seen by the agency as being meaningful to a wider range of stakeholders. One agency with

strong linkages to community stakeholders felt this could be lost:

> *We need to be accountable for how we gather that information*
> *from a constituency. We feel that we actually have that in place,*
> *but we also feel as though that may be reduced as a result of*
> *having insufficient resources to do that so those accountability*
> *mechanisms within this organisation and its links to the*
> *community are going to diminish over time because we have to*
> *refocus what we have got into their mechanisms of filling out*
> *forms and paper work. (CSO5)*

Several funded programs noted frustration with quality accreditation requirements imposed by funded programs. Different accreditation or standards frameworks often included identical elements, which required separate compliance:

> *Where it doesn't fit for example is where (program A) is quite*
> *specific so is (program B)...So we can't say to (Funder B) 'that's*
> *alright we're doing it under (program A)' and we can't say to*
> *(Funder A) 'that's alright because we're doing (program B)' and*
> *that's where those things are frustrating. (CSO6)*

The picture was not all negative. A number of interviewees identified areas where there had been positive outcomes from funder accountability requirements. Documenting policy to meet quality assurance requirements, for example, created an opportunity to reflect on practice and document policy, whereas 'as a small agency we had been able to manage with 'ethereal policy'' (CSO4). A similar rationale had driven the development of documented job descriptions in another agency.

Some newer Commonwealth funded programs such as *Reconnect* have incorporated an action learning component into their contracts and reporting frameworks. While this has the capacity to increase learning within and across organisations, there is

also a risk that the emphasis moves to the process rather than the learning. Smaller organisations who had been involved in such programs indicated that while they believed in the value of action learning in principle, in practice the resource implications of the required documentation processes meant that it was either neglected or became another administrative burden. Other Commonwealth programs incorporated an external audit model, which was seen to have some benefits in enabling a dialogue about service improvement but was also criticised for not discriminating between different sized services.

Impact on role and activity

As noted in the previous section, the increase in reporting requirements was seen to have reduced the time spent in direct service delivery. A number of interviewees also identified forms of narrowing the scope of services provided. This appeared to result from a narrow description of services funded as a result of trying to be more prescriptive in the contract document. This risks leading to a 'one size fits all' approach, which is particularly notable in programs where payment is on an output basis and there is a prescribed level of contact with clients:

> *Because the more prescriptive those expectations are from the*
> *funding bodies, (that) agencies like (us) must deliver, I think the*
> *less likely that we are to actually really try and make an effort to*
> *find out what it is that clients want and have to deliver it. (CSO9)*

While the potential for a reduction in organisations' capacity to lobby government for change was identified in the literature it did not seem to have eventuated. This was particularly the case where the organisation is the sole service provider:

> *The reality is that government doesn't actually have the capacity*
> *to de-fund at will. And not only that, we're in a good position to*
> *cause huge public outcry if that should happen. (CSO7)*

Several interviewees identified a reduced role in planning services compared with the period of grant funding in which organisations were able to draw on their community involvement, or actively canvass local community needs and develop a targeted response. The interviewees also perceived a reduced capacity for consumers to participate in the delivery of services through transitioning from service user to volunteer, although this still occurred in some service areas.

Tendering processes were seen to have resulted in a loss of responsiveness to community need because of the time taken to prepare and let tenders compared with grant funding arrangements where money for a new program could be made available more quickly. They were also identified as having advantaged larger organisations that had a greater capacity to put staff time into tender preparation. In smaller CSOs, the manager often undertook this task in preference to taking staff away from service delivery.

Both CSO and public sector managers recognised the potential for values-based clashes between funder and provider, but each framed the story so they were taking the 'appropriate position', for example, different views may be held about the delivery of services to Indigenous service users:

> *We might have significant issues around access for Aboriginal people and it may be that access to services are difficult because of paternalistic and other attitudes, access for Aboriginal women might be even more difficult etc. So that type of values clashing, that's one possibility. (PS3)*

> *In (location) we have a 30% Indigenous case load, and (the department) is absolutely fixated on the fact that the only way we can provide culturally appropriate services is to have an Indigenous employee and in fact we have consulted this*

community and they actually don't want that to happen because of family group issues and all that sort of stuff and ... they actually don't want an Indigenous worker in there, so every audit we get penalised for not having a black face in the office. (CSO10)

Impact on agency culture

The need to change and refocus accountability demands also required a changed emphasis of staff and highlighted tensions with different views about agency direction. Under a grant funding model, the accountability was seen by one interviewee as primarily internal to the agency through the board, and accountability to government funders only focussed on appropriate expenditure of funds. A contract arrangement was seen to require a closer alignment of agency services with government policy, although there were no mechanisms in place to ensure this actually occurred. This alignment created pressure on managers to work within government policy frameworks and could lead to tensions between managers and front line staff who were more focussed on responding individual client needs.

Several interviewees commented on the increase in profile of issues of accountability, outcomes and measurement:

Despite its limitations in Government funding, there has been some value in actually getting the industry to have a stronger focus on what it actually does and to somehow develop systems that might provide some measurement of how much we are doing and how well we are doing it. (CSO9)

So where I used to work in the Public Service, we had monthly meetings around accreditation stuff. And those were like morning meetings for 3 hours, they were very inclusive in terms of site managers, key staff within the certain disciplines, staff reps, so you really had a good ability to get this stuff out there into the

teams and it was a major underpinning for a lot of the activities of each of the agencies…It's only been in recent times that the managers as a whole have started to spend some time talking about accreditation, how we make that happen and even then it's only within the existing meeting time we have. So there's been nothing like, it hasn't been integrated by saying this stuff around accreditation, quality assurance and accountability is important enough that we need to take a greater focus around it and that focus is going to involve more time and that's an OK thing. (CSO6)

However the accountability requirements are still more likely to be seen by line managers as an additional burden rather than being integrated into how people work within the organisation.

Impact on relationships with other CSOs

One of the often expressed fears about the move to contracting was the introduction of competition into what was seen as a cooperative and collaborative sector. Interviewees suggest these fears have been realised, although there could be some debate about whether it has merely made underlying competition more overt:

So it's only increased a highly competitive environment and so agencies now aren't working together on the ground work (the way) they used to. (CSO6)

A reluctance to share material with other agencies was apparent in the study which triggered this research. There was widespread awareness amongst CSOs of the 'risk' in sharing information but this did not necessarily mean that it did not occur:

And if you've tendered for something and not won it (and we've done that a few times…), and then you see a service established by the people who won the tender, you get really excited because you

think, 'well, we had a bloody good thing developed here, so if they
beat that they are good'. And then when it actually pans out, you
are just so disappointed in what's being provided. And you think,
'God, what's going on?' And I find myself thinking, 'damn, I've
got all this stuff we've developed which would really benefit
(client group)'. We didn't win the tender, but do I take all of that
now as intellectual knowledge and say 'Look here, can you use
this because (client group) need it?' Or do we hold it and wait for
that to be a bodgy service and just bitch about it for the next six
years and then say 'Well, we'll have another shot down the
track?' I can't hold it back. (CSO7)

The tighter prescription of service provision reinforced existing difficulties in working across systems. Where program funding is only for particular defined activities there is no incentive but there are possible disincentives to work outside of those activities. While informal collaboration between front-line workers had continued, some information-sharing was limited by the awareness of the other organisation's potential competitive role. This awareness appeared greater at manager levels, particularly where they were writing or providing input to tenders.

Impact on relationships with government funders

CSO managers identified a similar deterioration of relationships with some departmental project officers. There were a number of explanations for this. Some public sector staff were seen as interpreting the move away from grant funding as requiring a more 'hands-off' attitude and were therefore reluctant to become involved with issues or problems outside the contractual relationship. This was partly attributed to difficulty experienced by funding departments in redefining their role. Others were seen to have welcomed the opportunity to move to a more distanced relationship with perhaps more restricted parameters of their role. Newer staff were

seen to be feeling out of their depth due to lack of experience and/or lack of back-up, and likely to be inducted into the more distanced culture. On the other hand, some departmental staff were described as recognising that the current situation was rigid on paper but could be flexible in practice, maintaining the relationships and sometimes the support role developed in earlier funding frameworks.

The open tendering process was seen to have advantages in providing transparency in the funding process, and some concern was expressed that transparency in funding would be traded off in a closer relationship:

> *It's just that some of the open tender stuff that's been happening in recent years looks like it's going to come back to being individually negotiated, and interestingly some people, the impression that I get is that a lot of people think that's good because it can restore relationships that did exist, or at least be more relationship based, although in my mind it also means that a whole lot of processes become closed, you don't know for example if there's a grants program coming up. You might know how much money is available but you might not. You might not even know there's a grants program coming up. (CSO4)*

One CSO interviewee had worked for the agency for over ten years and described a progression from a close positive relationship to a distant, neutral relationship and now to a close, negative relationship with their project officers:

> *They weren't intrusive, but they were there as a resource. Then as time moved on, they withdrew as being a resource and said 'we don't really want to be on the board'…That became an era of hardly any contact from the department whatsoever. There were a few years where there was hardly any contact, as long as you did what you were supposed to do, from the agreement there was no contact at all…Then it's evolved now into, 'you must do this, you*

must do that', and a lot of the accountability requirements on
what you must do don't make sense to the communities, don't
make sense to our board, don't make sense to our staff, who have
to actually collect the data, and as a result that creates a lot of
criticism and apathy. Nobody really wants to collect the data, and
think why in the hell are we collecting this data for if we're not
going to actually use it, it's not useful to policy makers and it's
not useful to the organisation…What use is it? (CSO5)

Several public sector managers also saw the introduction of the language of

contracting as a phase, but one that provided the necessary tools to change the

relationship from one that was 'overly cosy':

And the relationship suffered a little bit I think with the
introduction of the funder-purchaser-provider model, because the
Department took a step back, if you like. Now I think it was
essentially right in the sense we were too close before. We were
almost involved in the day-to-day running of some of these places,
but I think maybe the pendulum swung a bit too far. And so we're
now trying to get back to 'we don't want to be in your pocket, but
we do want to have a relationship with you, which means we know
what your business is and how it's going, and you feel as though
you have some relationship with us which is not sort of
unnecessarily remote'. (PS11)

All but two of the CSO interviewees identified a change in relationship between

government funders and community service providers as a result of the introduction

of purchaser-provider approaches. One of these felt that existing strong personal

relationships had prevented any negative impact. The other felt that it had not led to

an improvement where there was an existing difficult relationship. Three CSO

interviewees who had identified negative impacts agreed there was evidence of a

swing back towards an emphasis on collaboration through changes that reflected

aspects of relational contracting. This could be expressed through greater flexibility in negotiating service agreements:

> *And it's the schedule for each program that can vary. And certainly they're much more consultative about that than they've ever been, which I think is a good move. They certainly listen to the people who are delivering the services and want us to have in their service agreement or schedule what it is we will - you know, what are we doing, what do we think we can do - let's put that down. So there is opportunity to test the water. I think that's being more encouraged, and whether you call that 'action research' or what, it would depend on whether it's Commonwealth or State agreements. Yes, I think there is much more flexibility. (CSO4)*

The distanced contracting relationship was seen as an artificial constraint that was not appropriate in the area of community services and did not, in fact, reflect private sector models:

> *The funder-purchaser-provider model is a quasi-business model. It's really an auditing model. It's not what business does. Business doesn't work that way. Business works in terms of strategic alliances. You know, suppliers are very important to a business and they evaluate their supplies all the time and bargain with them about what is quality and what is price. Quality and price are the two main issues and that's what they're looking for. And they know that if they too much jeopardise their suppliers and have a discontinuity of suppliers, their quality will not be there. But somehow or other, particularly organisations like Department of [X] —they seem to think that you can just be there. You know, you can sack your staff and then pick them up in three years time and still make that quality. (CSO1)*

There was also a suggestion of a lack of clarity of the purchaser role, which did not

take into account the providers' expert knowledge:

> *What I have a problem about is they actually haven't got their head around tendering community services. When you call for tenders for a bridge, the government's got it right. They either have a budget and they call for tenders saying 'We have three million dollars for a bridge; show us the best bridge you can build'. Or, they'll say 'This is the bridge we want built; tell us what it's going to cost'. But in human services, they say, 'This is the money we've got and this is how we want you to deliver it; now you all go out there and tender'. But they have a preconceived notion about everything in that, and then they start mucking around with the edges of it all the time. (CSO7)*

A change for the better, a change for the worse

The relationship between government and CSOs has changed during the period of public sector reform. Some aspects of these changes have been deliberately directed by government while others were more indirect consequences. While some impacts have been widespread the experiences of CSO interviewees suggest that other aspects of the changes have been mediated by individual relationships with public sector staff.

Public sector reforms would appear to have increased public sector accountability through increased control and monitoring of public funds provided to CSOs. There is greater accountability for activities and outputs in some program areas, but it is not as clear whether there has been any increased accountability for results. There have been some attempts to measure outcomes in both State and Commonwealth funded program areas (Baulderstone and Talbot, 2004) but most rely on ex-post evaluations. These appear not to be used systematically to improve services and are often restricted to pilot programs and used to determine whether funding should continue.

Appropriate performance indicators remain an elusive goal.

Using Stewart's (1984) ladder of accountability as a framework, it could be argued that there has been both an increase in objective measures or accountability by standards and a move towards more subjective measures through the increased emphasis on process and performance accountability. For example, the mechanism of the service agreement or contract has mandated a requirement for a greater voice for service users in some areas. This has occurred through including requirements for consultation mechanisms and/or for grievance mechanisms as a condition of funding, either directly or as a component of a requirement for quality accreditation.

Because of the widespread existing funding relationship with government has meant the transfer of roles from the public to the non-profit sector has been limited in the area of community services in SA. The increased monitoring requirements undertaken by public servants have needed to be accommodated within a shrinking public sector. The concurrent organisational changes and requirement to adopt new roles have contributed to gaps between the rhetoric of reform and the observation of change, as well as highlighting skill gaps in the public sector.

A number of writers (Corbett, 1996) have embraced the concept of a wider construction of public sector accountability, which is congruent with CSO managers' views of their own accountability. Adoption of a broader framework could be expected to result in a greater capacity to understand and be empathic to CSO issues with multiple accountabilities. However, it is not clear to what extent it has influenced practices within the public sector and it does not appear to have led to support for any more flexible approach to mechanisms for managing CSO accountability.

There is evidence of changes to the relationship between CSOs in this study and government funders along several dimensions: the degree of formality; the closeness; the level or trust; and the degree of resource sharing. Rather than significant changes to the autonomy of services there appears to have been a subtle change of focus in service delivery that is more evident in those CSOs where government funding is their primary source of income. Where this has occurred it is likely to have led to a narrowing in scope of services delivered with a risk of inappropriate 'one size fits all' service provision. This was seen as more evident in output-funded services such as the Community Support Program. The State Government approach of restricting competitive tendering to new services after the alternative care tender has led to some expansion in service user profile.

Trust

This study suggests that CSOs' trust in their public sector counterparts has been damaged in some instances, but this is not universal. Trust was more likely to be damaged in the early period of the introduction of funder-purchaser-provider language, in part because of polarised interpretations by some public sector staff and CSO fears about consequences. However some CSO managers retained positive relationships with individual public sector managers which mediated their perception of the broader relationship. State public sector managers subsequent articulation of the intent to continue funding existing services was received with some doubt initially, but over time the perception that the relationship was moving towards a cooperative model increased. Commonwealth funding agencies had been more varied in their approaches to their relationships with CSOs. Monitoring of contracts in some program areas had been seen as undertaken from a punitive mindset, but again variation in approach by individual public servants within the same program

has been noted.

The introduction of a funder-purchaser-provider framework in the public sector coincided with downsizing in some funder organisations. Public sector managers struggling to cope with 'doing more with less' while working within new frameworks could well have exacerbated CSO managers' perceptions of their withdrawal from the relationship. This also may have contributed to the lengthy decision-making processes that drew criticism from CSOs.

Fewer changes appear to have been made to the balance of power, with smaller agencies feeling more at risk than larger ones and those providing a monopoly service recognising the constraints on government changing their funding - at least at short notice. The existence of a contract or more detailed service agreement in practice enabled some CSOs to resist attempts to influence their activity. Power differentials between government funders and CSOs have always existed. The extent to which these influenced perceptions of the relationship was mediated by the size of the CSO, the extent of the range of funding sources and the organisation's capacity for political influence, and would be expected to remain whatever the funding model.

Resources

Some of the risks identified in the literature as associated with moving to a purchaser –provider relationship have been realised. The resource impact for CSOs has been the most significant, through the cost of staff time both in preparing tenders and meeting additional reporting requirements and the cost of additional information technology for reporting. These have been exacerbated by the requirements for particular formats of reporting to different funding programs, necessitating 're-packaging' of similar information, and by the lack of congruence between the extent

of monitoring and reporting and the level of the funding received.

Perceptions of the impact of costs have been exacerbated by broader government changes including changes to OH and S legislation and the introduction of the GST, which have increased compliance costs. Funding under grant-based models allowed CSOs more flexibility in the use of funds enabling them to meet administrative and infrastructure costs. These are less likely to have been recognised in contracts and there is a lack of evidence to enable the establishment of unit costs for the provision of services. This means that some tenders have under-estimated the cost of delivery of a particular service. The Commonwealth funding agencies requirement for consistency across states was seen to disadvantage SA through a failure to recognise the cost implications of limited regional population centres.

Service quality

There appeared to be a mixed impact on service quality, with some CSO managers identifying positive outcomes from the increased emphasis on measurement while others felt their organisation had been satisfactorily managing that process through their internal accountability processes. Where negative impacts were identified, these tended to be associated with the diversion of funds to accountability requirements rather than service delivery.

There was evidence of an increased emphasis on the management and monitoring of volunteer workers, although it is likely that influences towards increased professionalism of staff and increased awareness of the applicability of employment regulation would be as important as any changes to the relationship with government funders. For some organisations the increased focus on accountability required a change in culture, while in others internal mechanisms meant that attitudes to

accountability were more congruent with those in the public sector.

This suggests a degree of pressure towards consistency and a requirement for alignment with government policy particularly at the managerial level where greater awareness of the contract requirements exist. This can create tension between management and front-line staff who are often more focussed on responding to the needs of the individuals with whom they engage.

In SA there did not appear to have been a lessening of CSOs' advocacy role, even though some CSOs may have reframed aspects of advocacy associated with increasing awareness of social problems as broader community education.

Structure

There have been structural changes in the CSO sector, with some organisations creating more formalised networks and partnerships, including instances of small organisations seeking auspicing or administrative assistance from larger ones. While multiple influences for such decisions were identified, in some instances an acknowledged driver of change was an increased capacity to win competitive tenders.

Najam's (2000) framework of government-non-profit relationships can be applied to the changes in relationships between CSOs and government funders. Categorisation of relationships is influenced by the extent to which goals or 'ends' are specified. Under grant-based funding, CSOs and government espoused similar broad goals but government was less concerned with the means for achieving those goals. While specification of goals remains broad, government and CSOs are more likely to be able to retain a relationship of cooperation. More detailed specification of goals - whether through an attempt to define outcomes, an increased interest in specifying

and measuring activities (means), or more detailed specification of outputs and performance indicators - increases the possibility of recognition of a disparity in goals, with a subsequent risk of co-optation if the CSO is unable to modify the funders' views. An alternate response to this disparity was a choice not to participate in a particular tender, for example several of the CSOs in the study had decided not to tender for Job Network contracts because of a perceived conflict between agency values and the requirements of the service role in that program.

It could be seen that Najam's (2000) categories of cooperation and complementarity had been amalgamated. The introduction of contracts or more contract-like service agreements increased the government's specification of ends compared with grant-funded agreements. This increased the probability of dissimilarity between government and CSO goals – it is easier to agree on a broad or vaguely-worded goal than a very specific description of desired outcomes. The likelihood of disagreement about means also increased when contracts or agreements specified activities and outputs.

Governance

While some of the CSO interviewees attempted to maintain accountability to members and the wider community, accountability in most of the organisations was closer to a corporate rather than democratic governance model (Leonard and Onyx, 2004). This is of some concern given the limitations in board capacity identified by a number of interviewees, and limited resources are likely to reinforce the emphasis on meeting funders' requirements.

Accountability relationship with government

CSOs have always had multiple stakeholders and accountability relationships, but the response to these differed between organisations in this study and was often driven by the CEO or other key player in the organisation. There would appear to be an overall heightening of the awareness of accountability issues in the sector, as well as a change in the nature of accountability to government funders. CSO managers in this study felt that government funders were not clear about how that accountability should be managed. Some were responding proactively by developing stronger internal systems and commencing quality accreditation processes. This was motivated by a desire to strengthen internal accountability processes and in some cases to position the organisation favourably in the eyes of funders and donors. One CSO interviewee indicated an intention to give funders the information the CSO believed they should be collecting.

At the time of the first interviews many concerns existed about the management of accountability in the context of the purchaser-provider relationship despite the progress made at the State level in increasing the consistency of service agreements. Some State public service managers agreed that the adoption of a purchaser-provider framework had initially led to an unnecessary distancing of the relationship with CSOs. This appears to have resulted in part from some staff's over-enthusiastic adoption of the purchaser-provider philosophy, which was exacerbated by the co-occurrence of other changes within the funding departments. There was some evidence of a move back to a more cooperative relationship with funders and of their adoption of the language of partnership. CSO managers appeared more cautious about the likelihood of significant change, but expressed the desirability of a relationship closer to Darwin et al.'s (2000) relational contracting. Rather than a

single 'ideal' relationship, the interviews indicate that CSOs sought a close relationship with government during the planning of services, citing their closer engagement with the communities where services were needed. This would be characterised by informal dialogue and including CSO representatives on working parties. Once planning was complete, a more distanced relationship would be required during tendering processes. This would be characterised by more formal communication mechanisms and documentation to ensure transparency. During the contract period, informal communication could facilitate a service development focus. This is summarised in Figure 19.
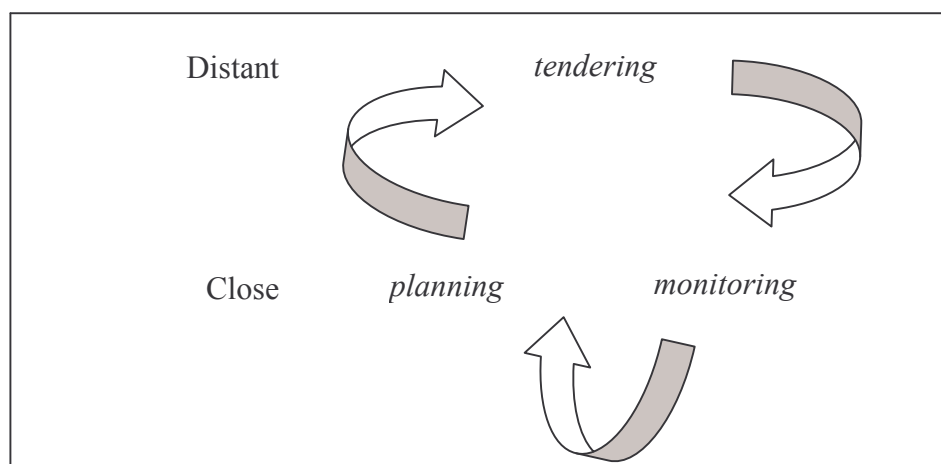
Figure 19:   Proposed relationship between funders and CSOs

Johns and Roskam (2004) argued that inclusion of NGOs in government planning processes needs to be transparent, as this inclusion provides NGOs with privileges not available to others, in particular access to information, membership of Departmental Advisory Committees and delegations, and funding for research and administrative expenses. Johns and Roskam (2004) excluded program delivery funding from their study, given the disclosure and reporting which is already required, however their proposal is relevant to the community services sector

because of the inclusion of representatives on advisory committees and reviews. They proposed that departments should collect a range of information about NGOs under categories of governance, capacity accountability, financial accountability and relationship accountability and that this should be reported on each organisation's website. This raises the more general question as to the availability of information about CSOs in the broader community. The document review showed great variability in the type of information made publicly available by CSOs. This could be a function of the resource implications as much as an indication of organisational philosophy.

Analysis of the first round of interviews suggests that the introduction of public sector reforms has resulted in an overall increase in accountability mechanisms. While this represented an improvement in practice for some CSOs in the study, for others it was merely an imposition over existing mechanisms and thus seemed an unnecessary resource cost. In a climate of increased public interest in accountability it may be useful to consider the level of CSO accountability in comparison with other sectors.

Is the community sector less accountable than others?

Mulgan (2001) found accountability in the community services sector[10] wanting when compared with the public and private sectors. Table 10 shows the parameters which he used for this comparison. The interviews with public servants and CSO managers provide a basis to review his claims, at least in respect to two of the three sectors. The first question in any such comparison must be the representativeness of the examples chosen. Mulgan (2001) recognised the range of types of organisation in

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[10] Note that while he refers to Third Sector as a whole in the table, he chooses community service organisations as the exemplar in this paper.

the community sector but proceeded to discuss the sector generically, whereas he

took a large public company incorporated under Corporations Law as a typical case

of the private sector. In fact, public companies are atypical of private sector entities,

with only very small numbers compared with the total number of proprietary listed

companies. In addition many small businesses operate as partnerships or sole traders

registered under a business name but not operating as companies limited by

guarantee. Accountability demands on such entities are less onerous.

Table 10:   Accountability: A Comparative Framework

	PUBLIC	PRIVATE FOR-PROFIT	THIRD SECTOR
I Who is accountable: collective **individual**	Government Agency Officials	Company Employees	Organisation Volunteers, Employees
II For what accountable	Legal compliance and financial reporting Public interest Just treatment of citizens	Legal compliance and financial reporting Profit Fair treatment of customers	Legal compliance and financial reporting Public welfare Beneficial treatment of clients
III To whom accountable (a) legal compliance and financial reporting	Public: Courts Auditor -General	Public: Courts ASIC ACCC	Public: Courts Attorney –General Registrars
To whom accountable (b) general policy and performance	Public: Parliament FOI Auditor -General	Owners/shareholders	Members Parent Organisations Donors [?]
To whom accountable (c) particular decisions	Citizens-clients: Complaints procedures and internal review FOI Ombudsman Tribunals/courts Anti-discrimination agencies	Customers: Complaints procedures and internal review Industry Ombudsman Courts Anti-discrimination agencies	Clients[?]
IV Personal accountability of individuals	Hierarchical Professional Whistle-blowing	Hierarchical	Hierarchical [?] Professional/collegial Whistle-blowing

From Mulgan, R. 2001. 'Accountability of Community Sector Agencies: A Comparative Framework',
Third Sector Review, 7(1):91.

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While not suggesting that government use private sector regulation as a model, it is important to note that ASIC's regulation of the private sector recognises differential requirements based on organisational size.

A lack of external mechanisms, or a lack of activity by those that do exist?

As with private sector companies, there is variation in the type of external scrutiny required by legislation based on the form of incorporation. Nearly 10,000 non-profit organisations are incorporated under the same legislation as those in the private sector and therefore subject to the same accountability requirements (Woodward, 2004). However, recent corporate failures would suggest that regulation through ASIC is not a guarantee of active monitoring of the organisation and the majority of respondents in Woodward's study were dissatisfied with ASIC in its role as regulator of non-profit organisations.

The majority of CSOs are incorporated under State Associations Legislation. The SA legislation requires annual reporting and auditing of financial statements, and that these to be lodged with the Office of the Commissioner of Business Affairs for organisations whose receipts are in excess of $200,000. Where lodged, these are examined by agency staff and are available to the public. Although proprietary listed companies are regulated by ASIC, the smaller organisations do not have to lodge returns or hold Annual General Meetings (ASIC). Incorporated CSOs then can be seen to have greater general scrutiny for probity than equivalent private sector organisations. Where CSOs are in receipt of government funds, there are additional reporting requirements relating to funding, activities, outputs and/or outcomes depending on the funding area.

Mulgan (2001) incorrectly indicated that CSOs are not subject to anti-discrimination

legislation. He also identified an ombudsman as available to private sector customers, whereas in fact only a few industries have such a position. This is not to suggest that there is not scope to extend external scrutiny in the community sector. This has occurred in some jurisdictions and is under consideration in others. In 1993, New South Wales introduced a stronger system of external review of CSOs through the creation of a Community Services Commission. This was amalgamated with the NSW Ombudsman in December 2002. Twenty six percent of complaints received by the Ombudsman's Office in 2002/2003 related to non government CSOs and the office reported in its May 2004 newsletter that 1674 complaints about community services organisations had been received since the amalgamation (NSW Ombudsman 2004). In SA, the *Health and Community Services Complaints Act 2004* established an independent Health and Community Services Commissioner to provide an independent alternative dispute resolution mechanism for consumers of health and community services. One of the Commissioner's tasks is to develop a Charter of Health and Community Service Rights in consultation with health and community services users and providers. An advisory council whose members represent users and providers (HRCA, 2004) will advise the Commissioner. The existence of such a role provides a formal right of voice to service users (and their advocates).

Woodward (2004) recommended the creation of a single Commonwealth statutory regime for all non-profit organisations by referral of powers from the states to the commonwealth in order to address the existing inefficiencies and costs to non-profit organisations. Such a body would require substantial resourcing if it were expected to play any proactive role in monitoring the sector.

While donors to CSOs do not have a legal right of authority they do have

instrumental power that may influence decisions and accountability mechanisms within CSOs. Their position has some similarities to that of shareholders in public companies who have exit options but who may have limited voice mechanisms.

Lack of a clear 'bottom line'

Mulgan (2001) argued that both the private sector (profit and shareholder value) and public sector (public good) have a clearer 'bottom line' than the community services sector. It can be argued that accountability in the private sector is becoming more complex through increased regulation, adoption of triple bottom line approaches to accountability and public interest in process issues including environmental impact and ethical behaviour. However it must be noted that Mulgan uses a narrow definition of accountability and therefore pays less account to the general public's capacity to exercise its exit options in response to publicised concerns about processes.

It is difficult to see that the 'public good' bottom line of the public sector is any less contestable than that of the community sector, which he characterises as 'public welfare'. The practice of some CSOs to openly discuss and promote their values and philosophies may act to enhance the likelihood of a clearer articulation of a particular agency's understanding of 'public welfare' than would be found in a public sector organisation.

Lack of scrutiny of individuals within organisations

Mulgan (2001) argued that individuals within CSOs are subject to less scrutiny and are therefore able to interpret their public welfare mandate based on their own beliefs and values. Interviews with CSO managers in this study would not support this conclusion. Staff and volunteers were subject to limitations on their autonomy

through job descriptions and a requirement to adhere to organisational policies and procedures. It would appear that the expectations would be no different from those of 'street level bureaucrats' in public sector service delivery agencies. It could be expected that mechanisms may be less well documented in smaller organisations, but these are also more likely to have closer contact with the CEO who is accountable to the board for the conduct of the staff and volunteers. In addition, complaints and grievance mechanisms exist that enable service users to bring concerns with individual staff to the attention of managers and boards.

Limited internal monitoring and fewer mechanisms for redress

Mulgan (2001) recognised the importance of process values in both the public and community sectors, but claimed less accountability for their observance in the community sector. Interview results indicated the existence of complaints mechanisms and the capacity for internal review within CSOs. Whether these are sufficient to ensure 'voice' for service users is of some concern, given the level of disadvantage of many service users. However, this concern would apply equally to public sector agencies providing community services. The pilot of an independent mediation service for community service users in SA was not successful (CSO12), but this may have been because of the service location within an existing church-affiliated CSO. In any case, in some circumstances service users will direct their energies to obtaining what they need rather than lodging complaints (see Adkins, Slatter and Baulderstone, 2004) and will avoid the perceived possibility of 'retribution'. The NSW experience with the Community Services Commission suggests that the creation and promotion of an independent complaints mechanism can be successful.

While there are some areas in which there is less external scrutiny the situation is not as extreme as painted by Mulgan (2001). In comparison with some private sector organisations, there is more scrutiny. However, there is a legitimate concern about the capacity of some CSO boards to govern the organisation effectively. This was evident through interviews with smaller CSOs, which often had difficulty in attracting skilled board members and where the CEO was often the primary driver of accountability, needing to educate as well as inform their board.

If not in receipt of government funding CSOs can define what services and programs they wish to provide and the parameters of their client group, and impose conditions on client access to services. Contracting enables the State to specify the programs provided and define the parameters of the client group, which may be broader or narrower than the CSOs own conception of their target group.

Sinclair (1995) interviewed public sector CEOs from a range of different departments and agencies in Victoria about their accountability. In the light of Mulgan's (2001) attempt to compare accountability across sectors, it is interesting to compare her findings with those of this study.

Sinclair's analysis identified five forms of accountability – political, public, managerial, professional and personal. This mirrored the range identified in the literature review. She also identified two discourses one structural, emphasising technical aspects, and the other personal, reflecting a more ambiguous and anecdotal style.

Given the focus of this study on CSO accountability, it is not surprising that there was less evidence of discussion of political accountability. One CSO manager noted a lack of recognition in the community sector that ministers had the right to over-ride

a bureaucratic decision and one public sector manager identified the influence of the minister on the approach to the type of contracting used by the department. However, the linkage between receipt of government funding and political accountability was generally not made.

Sinclair (1995) described public accountability as 'a more informal but direct accountability to the public, interested community groups and individuals' (p. 225) which incorporates the accountability to service users and the wider community as identified by CSO managers. These managers did not mirror the level of frustration with forms of public accountability expressed by the CEOs Sinclair interviewed, which, while it may be a function of less developed formal processes in the CSOs (therefore less administrative burden), also appeared to result from CSOs' identification of their service users as their primary stakeholders.

Managerial accountability is identified as that deriving from the position in the hierarchy, focussing on monitoring inputs and outputs, and ensuring financial probity. CSO managers identified this form of accountability both in the organisations' relationship with funders and internally in their CEOs' relationships with their boards. As with the Victorian CEOs, discussions included both the logistical requirements and the frustrations of dealing with this form of accountability.

There was no sense of the community service sector as a profession in the interviews with CSO managers, compared with the sense in which public administration/management is sometimes seen as a profession by those involved in it. This could reflect the disparate backgrounds of CSO managers, the diversity of services provided in the sector, and the lack of a sense of cohesiveness. There was

also no reliance on Schwartz's (2001) 'do-good accountability'. CSO managers were conscious of both the need to demonstrate their accountability and the scope to contest the definition of 'good'.

CSO managers demonstrated strong individual values bases that shaped their activity within organisations, however, these values were largely reinforced by their organisation's expressed mission, and it was recognised that individual values did not always fit with the positions taken by the organisation on particular issues.

Differences in conceptualisations of accountability can be influenced by academic background (for example accountants could be expected to be more likely to emphasise financial accountability than responsiveness to service users) and the norms or culture of the organisation or institution to which they belong. Not surprisingly then, there are clear differences between CSO managers and managers in the public sector. Sinclair (1995:220) recognised that:

> Efforts to improve accountability would be influenced by an
> understanding of the diversity of ways in which managers
> construct, hold and enact a sense of being accountable.

It appears, however that public sector managers have made little attempt to understand the way CSOs frame and respond to accountability. Public sector interviewees generally emphasised the technical and structural rather than the personal aspects of accountability. The more distanced relationship resulting from the purchaser-provider framework limited the capacity for informal exchanges that serve to develop an understanding of each other's values and motivations and the demands placed on public sector staff to demonstrate program accountability would likely have kept the focus more narrow.

Traditional public sector accountability encourages a silo view of accountability – a view of the world along program or departmental lines. This chapter has shown that the introduction of the purchaser-provider model appears to have emphasised this and reinforced it through narrow reporting requirements. There have been other more positive impacts, with an increased awareness of accountability in the sector, recognition of gaps in accountability and attempts to address them. While there is room for improvement in CSO accountability, it is not weaker than private or public sector accountability across all organisations, and trends such as recognition of triple bottom line accounting and quality accreditation are being adopted across all sectors.

The introduction of the purchaser provider framework changed CSOs responses to the question '*How* should *who* hold *whom* accountable for *what*?' (Behn, 2003). It strengthened the importance of the government funder in the role of 'who' holds CSOs to account. In some program areas it changed the 'how' through the introduction of more structured and usually more quantitative reporting requirements, and in some program areas, also supported the introduction of accountability mechanisms to service users.

Interviewees were asked what they would like to change about their relationship with government. Five CSOs identified issues of more standardisation in their accountability to funders. This was predominantly in the sense of increased consistency from funding departments about the type of information required and the manner in which it is presented:

> *The major problem we've got is that funders want too much and*
> *they want too diverse things and if we only had common*
> *agreement about key financial accountability and key goal and*
> *outcome measures, we could get away from a lot of the nonsense*

around reporting on outputs and all sorts of things that they want.
(CSO12)

However, three also spoke about the need for funders to become more focussed in their monitoring capacity with the aim of improving standards within the community sector, and obtaining information about outcomes and effectiveness that could enable future benchmarking.

Ten CSOs also identified a desire for more dynamic accountability relationships. While one identified a greater level of engagement and involvement of clients and board members as well as funders, most discussed the relationship with funders. Identified areas for improvement included:

- more meaningful indicators of effectiveness – involving academics and service providers in the development of more meaningful measurement tools;

- involvement of service providers in the development of accountability measures in contracts;

- flexibility in standards based accreditation or monitoring – where an agency is assessed as meeting standards for generic aspects of its functioning under one program it should not be required to be re-assessed under another program;

- shared accountability for planning – involvement of organisations' service planning processes both directly or through collection of more qualitative information from agency reporting; and

- processes to recognise good practice leading to the development of evidence based practice. Concern was expressed at the apparent failure to review and provide feedback on agency accountability reports. Such information was seen as a starting point for further analysis.

The second round of interviews conducted in 2004 provided an opportunity to

identify the extent to which these desires had been fulfilled. These interviews are

discussed in the next chapter.

CHAPTER 8   AN ERA OF PARTNERSHIP?

This chapter explores whether the language of partnership has changed the nature of the relationships that CSOs have with each other, with government and with the private sector, and whether it has affected accountability. In order to set the context for the interviews, government initiatives and changes in funding arrangements which have been couched in terms of collaboration and/or partnership with the community sector are outlined. It must be noted that a number of these had commenced not long before the interviews and it is not possible to draw conclusions about their longer term impact and effectiveness. Instead, this chapter focusses on initial experiences and reactions of managers from each of the twelve participating CSOs and two levels of government.

The 'wish list' generated by CSO interviewees in the first round of interviews in 2000/2001 included many elements consistent with the language of partnership, in particular:

- shared processes for service planning;

- involvement of service providers in the development of accountability measures; and

- flexibility in standards based accreditation or monitoring.

The second phase of interviews conducted in 2004 explored whether the introduction of partnership discourses had changed CSOs relationships with government, with private sector organisations and with other CSOs. All twelve CSOs received government funding and had been involved with some form of partnership or collaboration with other CSOs. In addition, some had been involved with

partnerships at the local government level. Most received some level of support from private sector organisations, usually through cash or in-kind donations. Some had engaged or attempted to engage in some level of formalisation of relationships with a private sector donor.

As noted earlier, partnership is discussed in different ways in both the academic and practitioner literature. In one form of use partnership focuses on policy engagement, recognising the role of the non-profit sector in contributing to debates about policy direction and the planning of service delivery. In this context, CSOs attempt to introduce the needs of their constituencies who are often less able to be heard as well as their own perspectives as service providers, that is, they attempt to take a broader advocacy role for the disadvantaged group for whom they are providing services. It is in this sense that Johns and Roskam (2004) raise concerns about the transparency of their role. Some writers (Casey and Dalton, 2004) use partnership between government and CSOs in the sense of any joint provision of services through mechanisms including grant funding and contracting. This construction is too broad to be useful for analysis, as it fails to recognise changes in form of the relationship. Others see a partnership relationship as something that is antithetical to a contractual one, which risks leading to too narrow a construction, and others imply any form of cooperative arrangement between two organisations. In this last context, partnerships between CSOs were identified at two levels: those formalised through a consortium or subcontracting relationship; and informal arrangements by which workers (and/or managers) of different CSOs worked cooperatively to achieve better outcomes for particular clients or client groups.

Changing relationships

Relationship with the State Government

The State Government and its funding departments had introduced significant changes since the first series of interviews. The State Government had begun to implement a Social Inclusion initiative that emphasised inter-agency cooperation between government departments, and between departments and the non-government organisations, overseen by a board comprising members of the community. The Premier had appointed Monsignor David Cappo, a former Chairman of Centacare Australia, the national peak body of the Catholic social welfare agencies, to both the Social Inclusion Board and the Economic Development Board, both of which provide advice directly to government ministers. Promotion of a quality framework, developed with the funding department, to both government departments and non-profit agencies had begun, and the signing of a formal agreement between the government and the community sector (*Common Ground*) was seen as imminent.

The visible indicators of a changing relationship between government and CSOs – of formalised agreements or commitments to cooperative working arrangements between government and non-government organisations – were reflected in the views of the majority of the interviewees in the second round of interviews. Changes were identified both in the processes being used by government funders to introduce change and in the products of those changes:

> *We now have a common master contract which was collaboratively drawn up with opportunities for comment and a very good workshop. We felt we were able to make a contribution and it was a good process. That was a significant step. (CSO4)*

The funding department's approach to planning and funding arrangements appears to

have built on the experiences of the early days of contracting in which:

> *It was heavy going, procurement units were just being set up.*
> *Every time we did something it was different from the time before.*
> *It was a very long drawn out arrangement, and the number of*
> *agencies which were actually capable of doing that work (was)*
> *very small. (PS17)*

In addition to the changes in the area of tendering and contractual relationships, changes were identified in the areas of policy engagement, engagement in service support and development, and in the general relationship. This was recognised by public sector and CSO interviewees alike and seen as a positive change:

> *There's still frustrations but that whole antipathy has gone out of*
> *the relationship with the State Government. (CSO3)*

There was evidence of increased engagement of CSOs in policy-making, but this was not uniform across funding departments or program areas. Speaking about one program area, several CSO interviewees commented on a recent process where consultation was limited to an opportunity to comment on a written paper rather than a dialogue. While it is not clear whether the positive changes indicate a return to an earlier era or herald the beginning of a new one, they indicate some practical adoption of the governance rhetoric through extending the relationship between government and CSOs beyond that of purchaser and contractor. Attitudes and approaches to engagement with the sector appeared to have changed. One public sector interviewee noted the different attitude towards engaging with the sector. As she described it, during the height of the purchaser-provider emphasis, 'consultation' meant 'to go out and hold a forum'. While this sometimes aimed to collect information from the sector or a local community, the primary purpose was often to

inform those who attended about directions that had already been determined. Even where the purpose was to collect broader views on an issue, these did not necessarily influence government decisions or priorities. Sometimes this resulted from government representatives being unclear about roles in the decision-making processes, at other times what was labelled as consultation was closer to information provision, reflecting the belief that government was in the best position to plan for service delivery. Such 'consultation' often raised sector or community expectations, which were then dashed. Whatever the intentions, there was clearly a mismatch between the language and the practice of consultation.

It was suggested the current predominant view within the public sector about the relationship with the community sector recognised that the community sector, the community itself and the public sector all had valuable knowledge, but recognised both the power differentials and constraints on the public sector. While the approach was within a framework of joint problem-solving, the different role and accountability of the public sector was acknowledged:

> *The department recognises that it is an instrument of government, has priorities and directions it wishes to pursue and is a significant budget holder. We have to go out knowing that this baggage is there and not go out saying it is about joint problem-solving. (PS16)*

This increase in clarity is less likely to generate unfulfillable expectations.

At a practical level, staff in public sector funding agencies were attempting to improve relationships through regular, informal meetings with different groupings of participants, including peak bodies and regional groups of agencies receiving particular program funding. Staff viewed these as a valuable way of sharing

information and identifying emerging issues.

Several CSO interviewees commented on an increase in CSO representation on various committees, leading to a feeling of the sector being more respected. This contrasted with the previously implied message that its views did not count.

Much of the disquiet at the move to contractual arrangements raised in the earlier interviews appeared to have dissipated. This was partly because some of the earlier problems had been addressed through the move away from the rigid separation of purchaser and provider, and improvements in contracting practices. It also appeared partly that CSO staff had adapted to the contracting environment, and in some cases achieved positive outcomes:

> *A lot of organisations have felt a certain level of comfort in being*
> *able to demonstrate particular levels of skills and competencies.*
> *To an extent many of them have actually seen this as a way of, you*
> *know, growing their business. (CSO9)*

However, there was general agreement that contracting arrangements had advantaged the larger CSOs, for example the additional resources provided to the sector through the Social Inclusion Initiative were identified as having gone to the 'bigger end of town'. Larger organisations were seen to have a greater capacity to meet requirements for insurance and quality accreditation, both of which had assumed prominence in the period since the earlier interviews. This added to their previously identified advantages in their capacity to write tenders and submissions when compared with smaller organisations.

The move to standardised contracts was seen positively by both public sector and CSO interviewees. One public sector interviewee identified their introduction as

providing advantages during the tendering and letting of contracts, and having the potential to improve the monitoring of performance. At the same time that the general contracts had become standardised, one CSO interviewee saw the schedules which identified the nature of the work and reporting as becoming more open to negotiation.

There was recognition of the complexity of defining the boundaries of what needed to be specified within a service agreement and what would be expected to fall within the organisation's provenance as a responsible agency. A recent ministerial decision was given as an example. This occurred after extensive media coverage of past abuse of children while under the care of both church and government agencies. The minister indicated that all service agreements were to have a requirement that staff and volunteers who work with children in a particular age bracket would undergo a police check. One public service interviewee perceived the building in of such a requirement to the formal contractual agreement as an example of a simple risk analysis issue based on whether it was sufficient to rely on the community sector's professionalism or whether there was a need to ensure protection against the government's potential liability. However some in the community services sector saw it as indicating a lack of government trust and recognition of the sector's capacity to provide an appropriate, professional service.

While the contract or service agreement processes had improved, several CSO interviewees were still critical of the tender documentation. They identified examples of a lack of clarity and duplication of information requirements. This appeared to be a function of individual differences between program funding areas within departments. There was no requirement to involve the contracting area at the service

specification writing stage. Where such staff were involved it was in an advisory capacity. If engaged, they were able to provide feedback from their broad exposure to contracts, not on the content per se, but whether the expression of a particular requirement was likely to achieve a desired result, particularly around evaluation criteria.

In some of the department's program funding and contract areas, staff were working together more closely. As well as increasing the likelihood of a consistent approach to contracts and monitoring it was suggested that this might facilitate the retention and transmission of learning from the past. CSO interviewees in both sets of interviews identified difficulties arising from the loss of corporate knowledge within government which had followed each of its restructures. Such changes were seen as contributing to the existence of silos within departments, and to resource costs for both funding departments and CSOs. CSO interviewees spoke of their frustration at the need to educate and re-educate public servants in the history of both their own organisations and of the relationships between the sectors.

Both CSO and public sector interviewees identified performance management as an area of the contractual relationship that needed more systematic activity. It was seen as having been neglected because of its difficulty and, from the public sector perspective, the perceived urgency of other actions associated with contracting. One public sector interviewee recognised that there had been limited monitoring of reports sent in by CSOs to meet the requirements of the service agreement. This was seen as partly a function of limited resources and partly because of the limited value of the disparate information collected from CSOs, even within a single program area. One program area had recently agreed on a common data set with funded agencies

and hoped in the future to be able to analyse data across areas and provide information back to the sector, which would fulfil one of the needs identified by CSOs in the first interviews

There was seen to have been a loss of government's development role since the introduction of contracting, in which the key role of the project officer changed from one of service development and monitoring to that of a purchaser. There have been some attempts to re-invigorate the service support element at a State level. One of these has been linked to the introduction of the Service Excellence Framework (SEF) to the community sector. This is a government sponsored quality framework, which is described in more detail later in this chapter. The department is funding positions that will be located within community sector agencies to assist with the implementation of SEF through the sector. Other program areas are making deliberate efforts to facilitate bringing service providers together into local forums.

As in other partnerships, individual relationships between public servants and CSO staff were seen to be as important as the structural arrangements in achieving effective working together:

> *A lot of it does come down to individuals and I think, you know,*
> *the key is individual relationships. So when you get the people*
> *that have a knack for communication and know the sector a little*
> *bit, or are willing to listen and work on a genuine partnership,*
> *then you'll be fine, and then you get people who aren't or are*
> *constrained in other ways, you don't. (CSO20)*

The most recent restructuring of the funding departments brought some program functions back together, a role that one CSO interviewee identified as having been forbidden under the reform regime. Public sector interviewees indicated that renewed

attention was being given to agency visits, but there was a huge backlog. They identified the visits' value in providing better contact points for CSOs, providing support in service development, and playing a role in bringing groups of agencies together. Not all CSO interviewees were yet aware that the attitude had changed, with one commenting that they had always had to initiate any visit.

There was some indication from both CSO and public sector interviewees that relationships with rural and regional CSOs had experienced fewer changes throughout the period of public sector reform. One CSO interviewee mentioned the advantage of being away from the 'politics that go on in the city' as a factor in this.

Social Inclusion Initiative

Premier Rann announced the Social Inclusion Initiative (SII) in March 2002. This established a board with community sector, business and union representation, which would advise government (through the Premier and Cabinet and Inter-ministerial Committees) on addressing complex social issues and linking social and economic policy. Three areas were initially referred to the board: homelessness; drugs; and school retention, with targets identified in each of these areas. A number of public sector staff were seconded to the Social Inclusion Unit (SIU), which was located within the Department of Premier and Cabinet to attempt to bring together government and non-government organisations to work collaboratively to address these issues.

The SII brought additional funds to the community services sector. It was generally welcomed by the sector for both the additional resources and the public acknowledgement of the need to take a collaborative approach to addressing complex issues. One public service interviewee noted that the availability of funding had

proven an effective driver for achieving participation of both CSO and public sector staff in forums. A plan was developed and disseminated to agencies that had participated in the earlier consultation processes. However, there has been widespread criticism about the process of allocation of funds, which was undertaken by the funding departments. Concerns raised by CSO interviewees included the lack of transparency of the process, with some contracts being subject to open tender process, others to limited tender and in other cases the tender process was waived. The SIU indicated that the waiver of tender processes occurred where the funding department identified unique expertise in particular CSOs. However some CSO interviewees identified perceptions of favouritism, indicating concerns that this represented a return to a patronage system. Others were more concerned at the possible implications of the process for the ongoing relationship:

> *Nobody's questioning that the people in those cases shouldn't have got the money, but it's more of a bigger question of we're supposedly moving through to becoming more -working in a partnership with government more -and yet we were just mushrooms really. (CSO7)*

The information gap appears to be around decision-making on the mechanisms of funding and the apparent inconsistencies in approach. This was contrasted with the situation under the purchaser-provider model:

> *It's very interesting given the grizzles in the past about tendering, now there are more grizzles about not tendering. We've come to expect that there'll be opportunities, and the thing that tendering does, it offers an equal playing field of a kind, even though some of the documentation isn't as good as it could be. There's a lot of angst about where that money went and how it got to where it went. What we have is a situation where there doesn't appear to*

> *be either a set process or information about the range of*
> *processes. (CSO4)*

Some public sector interviewees also raised concerns about the way SII funding was managed, suggesting that information dissemination within the department about the funding process was flawed:

> *Agencies were tapped on the shoulder to provide – it puts us in*
> *another spot – we don't know about the plan, the first we know*
> *about it is when we see the press release. There's all sorts of*
> *practical problems – the SIU funding is often a different time*
> *period than the existing contracts and often it just allows the*
> *agency to employ another one or two workers or pay at a higher*
> *rate to get qualified staff, and all those things create tensions that*
> *come back to us for explanation…there's tension there and it's*
> *not about tendering. (PS17)*

The majority of the public sector interviewees were aware of the concerns being expressed in the sector. While some agreed that opportunistic funding had occurred, others dismissed the complaints as 'code for "we didn't get the money"'.

It was evident from the interviews and documentation examined that there were clear gestures towards partnership by senior managers in the public sector. However, this did not always translate into a changed relationship with project officers at an organisational level. While this may reflect reluctance by some individuals to move out of their offices and become involved with funded agencies, it must be recognised that a move to a partnership relationship removes the clarity about the boundaries of responsibility and accountability. Within a formal and distant purchaser-provider relationship, the role of the public sector project officer is more constrained and responsibility and accountability more easily directed upward through the traditional

hierarchical system. Adopting the language of partnership, engaging the sector in joint planning and returning to service development activities blurs this clarity. It does not appear that there has been an attempt to re-draw these boundaries in a systematic way at the level of program area project officers. Some welcomed the opportunity to undertake a more service development and support role, particularly with smaller organisations, reflecting on the distance formerly required:

> *I've heard people say, 'We really didn't have to through all of this – if only they'd let me go out and work with this agency we could have turned things around – we could have got what we wanted without all of this'. (PS17)*

However the lack of clarity provides the capacity for those who do not have the confidence or skills to work closely with the sector to maintain their distance.

Despite the apparent setback following the SII funding, the perception of the CSO interviewees is that there had been some progress towards a relationship which is closer to that of partnership with government and which addressed some of the CSOs 'wish lists' from the first round of interviews. Areas that need further development were identified as:

- increased transparency around processes;

- transparency around the way relationships with CSOs work;

- ensuring equal access to information enabling services to be 'an equal participant in the race for dollars'(PS 18); and

- acknowledgement of expertise in agencies.

Both CSO and public sector interviewees identified a need for joint planning for

community sector funding:

> *Where I'd like to see it going is to see some joint planning, joint regional responses, input into what service provision is happening in a particular locality or for a particular service group. ...I'd hope we would get more information about what works and what doesn't and what service models are effective - so some qualitative information about best practice that isn't necessarily formally undertaken as a research exercise, but in a more informal way. If we don't have the detail to provide to a senior officer in this department then we don't really shape directions of government towards what people are saying they want or need. We have to have that business intelligence or we're just sitting in here. (PS16)*

Relationship with the Commonwealth Government

CSO interviewees indicated there had also been changes in the relationship with Commonwealth funding departments, but the change was perceived to be inherently slower because of the size of that bureaucracy and the distance of the decision-makers. State offices of Commonwealth funders provide a filter between Canberra-based bureaucrats and the CSOs, but they were seen as having limited decision-making authority and therefore appeared to CSO managers as less responsive to local needs, and to have less of an understanding of service delivery issues. The relationship was not identified as negative, but was seen as less close than at the time of the previous interviews. One interviewee felt that the development of relationships with service providers had been discouraged within Commonwealth departments, and spoke of feeling 'angry and powerless' after trying to deal directly with Canberra-based staff:

> *You get a sense it isn't in their job description, it's not something that will get them promoted or praised. It's a kind of preference or*

character trait almost. (CSO17)

There had been a high turnover of staff in the State office since the first round of interviews, which appeared to have affected relationships with both CSO managers and state public sector project staff. 'Canberra policy making' appeared to some CSO interviewees not to be cognisant of the impact of differences between states on service delivery models particularly in regional and rural areas. There was perceived to be a push in some areas to imposing uniform models of service delivery across states. There was seen to be less consistency in approaches to funding and monitoring between funding departments, and even within programs within the same department.

The Commonwealth Government was believed to have recognised a need to change from its silo-based operations but the current emphasis appeared to be on internal improvements across government departments, which may or may not be a preliminary step to a greater engagement with the community sector. One of the major funding departments had recently decided to provide a clearer sense of focus on service delivery and was developing a framework for accountability. However, developing consistency is likely to be particularly challenging for Commonwealth departments, given the diversity across programs and in the bases of funding, which can include case-based, milestone-based and time-based models. The use of block grants, which were automatically rolled over in some program areas, had been discontinued. Some program areas had responded to the criticisms of excessive levels of monitoring in relation to the size of the funding through the development of standardised funding agreements in three categories, depending on the level of funding and the degree of risk of the project, each of which has different reporting

requirements. Other programs have retained the 'one-size-fits-all' approach to monitoring and review that was identified as problematic in the earlier interviews.

A further level of complexity arises from the use of multiple and diverse reporting mechanisms across program areas, with information technology infrastructure being different across departments and programs. Many Commonwealth programs required computer-based reporting, and in some areas there had been numerous operational problems with software. One CSO interviewee spoke of receiving funding from six Commonwealth program areas, each of which had different reporting requirements. This is an area in which there has been little improvement since the earlier interviews, at least in the eyes of CSO interviewees. Different program areas also used different geographical boundaries when defining service areas, even in country regions, which added to the complexity of both service provision and reporting in regional and rural areas.

Commonwealth government funding departments appeared to be experimenting with different ways of funding programs in the community sector. The Commonwealth has made some moves away from reliance on competitive tendering during the introduction of new programs. Many of these are under the umbrella of the *Stronger Families and Communities* funding. This strategy commenced in 2000 and projects were funded based on submissions, suggesting a return to an earlier funding model, but within stated strategic objectives. Departmental project officers at the time had little information as to what sort of proposal was likely to be accepted (pers. com.). This strategy has involved provision of additional funding and the restructuring of existing funding approaches. In 2004, CSOs in seven locations in Australia were invited to accept additional funding ($3-4 million per organisation) under a new

program, *Communities for Children (*DFaCSa nd*)*. This program requires the funded lead agency to work with local stakeholders in disadvantaged areas and sub-contract them to deliver services to meet an action plan developed with the community which identifies needs and outcomes. Sub-contracted agencies are expected to include both CSOs and local governments, and there is a cap on the proportion of service delivery that the lead agency itself can provide. The funded lead agency is able to retain an administrative component of the funds, with the rest being used for service delivery, and is accountable to the Commonwealth for both the funding and the outcomes achieved. An external national evaluation is planned but the lead agencies are required to undertake local evaluations of services from within their funding.

Not surprisingly, this arrangement has led to speculation within the sector about the basis of selection of the initially funded CSOs. A further twenty-eight sites were then selected for four- year funding. These had gone to competitive tender at the time of writing. Such arrangements raise interesting questions for the management of accountability. If it is accepted that government cannot fully delegate responsibility for funded programs, then the selection of lead agencies should include an assessment of the organisation's capacity to manage accountability in a collaborative framework. Page (2004) identified four platforms for government sponsored collaborations' capacity for accountability which could form the basis of such an assessment, and which could also be used as part of the evaluation of the funding model's success:

- capacity to manage expectations and to respond to the demands of political stakeholders (external authorisation);

- capacity to manage expectations and to respond to the demands of professional colleagues and collaborative partners (internal authorisation);

- capacity to identify the collaborative's mission, goals and indicators of progress, and to track data that document changes in progress over time (results measurement); and

- capacity to use data about results strategically to assess progress and to improve policies and operations in the future (managing for results).

Local Answers is another example of a new Commonwealth program area implementing alternative approaches to accountability. This requires development of a project work plan that included project aims, linkages of these with activities, outputs and milestones, and an evaluation plan with performance indicators and measurement methods. The evaluation report includes reflection on what has been learnt, thus supporting the action learning philosophy of some other Commonwealth programs. This suggests some recognition of a need to move away from imposed accountability frameworks. The *Child Care Support Program (*DFaCSb nd*)* is an example of an existing funding model. This process commenced in 2002 with extensive consultation but it was only in November 2004 that existing funded CSOs were advised of the proposed funding model.

The *Communities for Children* funding is one of a number of different programs that were tendered on a basis that encourages or requires consortia or subcontracting relationships between CSOs. The *Integrated Humanitarian Settlement Strategy* (DIMIA nd) is another. All services related to the settlement of humanitarian immigrants have been incorporated into a single tender. While the request for tender suggested that providers could tender as a single provider, consortium or prime service provider (subcontracting model), in practice the requirement for delivery of all services effectively forces partnerships through the diverse range of service provision required, in an area which in the past has included significant levels of

local volunteer and community support, particularly in regional areas. In effect it ensures that binding formal relationships are established for any multiple agency tender. The Request for Tender also required the development of a volunteer management framework which some CSO interviewees saw as imposing control over a non-funded function of their organisations.

Concerns from the earlier interviews about the impact of continual re-tendering of existing services, which discourages the development of an ongoing relationship with public sector staff, sharing information about good practice and investment in service delivery, have been recognised in *Job Network* funding where 60% of the capacity of higher performing agencies was rolled over by the third round of tenders (Keating, 2004). However in other program areas the Commonwealth appears more likely to require services to re-tender whereas the State tends to roll over funding unless problems have been identified.

The Commonwealth has encouraged the adoption of an action learning approach through a number of the more recently introduced programs, including *Reconnect* and *Stronger Families and Communities,* but has kept it separate from the accountability framework. There were mixed views amongst CSO interviewees on the use of action research. One interviewee recognised value at a community level, particularly when setting up new services, but questioned whether it contributed to more developed services. It was not evident that any learning was fed up to the program level, and the level of documentation required was seen as excessive, particularly for those agencies funded for a single worker. Another identified the documentation aspects as another layer added to the existing demands on staff, commenting that the action learning cycle was usually part of current organisational

practice.

While there were changes in the CSOs' relationship with both State and Commonwealth governments the differences between the two have, if anything, increased. The State Government has made significant steps to increase consistency in the area of contract management, and at the same time is attempting to implement a more flexible approach to the contracting mechanism. CSOs want transparency of decision-making on funding and contracting. Commonwealth funding departments and program areas appear less coherent in their approach to service planning, contracting and contract management, but have been using some innovative approaches with new funding areas as well as restructuring some existing areas.

Interviewees had different views as to the likelihood of having a real partnership with government. One public sector interviewee expressed concern at some CSOs apparent assumption that government should always take the leading role because they held the purse, however most CSOs identified that resources were always a critical factor. Some saw that government would always hold the most powerful position and that the pragmatic approach was to 'play the game and get the money'. Others recognised that CSOs brought their sector and community knowledge as well as service capacity to the relationship, and that these could be valuable bargaining tools, though it was sometimes necessary to fight for credibility:

> *Both in government and non-government agencies there are some strong views about where people should be doing what business, and some clear lines about who should be doing which bit, and particularly from government there is often a strong thrust on 'no, this is our role as the government and this is your role as the NGO'. One of the things I think we struggled with in the early days was proving credibility - we are not a voluntary agency, we*

employ professional staff. (CSO21)

Several CSO interviewees commented on lack of infrastructure funding driving small organisations out of the sector. CSO programs or services based on 'cocktail funding' where small amounts of money from different state and/or Commonwealth programs were combined to provide a single service were still common in smaller organisations, which continued to experience difficulties because of different funding cycles and multiple accountability requirements. One PS interviewee recognised the reluctance of each program area to fund infrastructure costs in such arrangements, and it was also indicated that these arrangements created work for funders as well, through a need to cross check funding arrangements and requests for additional funds with all other program areas.

Both PS and CSO interviewees raised issues about CSO governance capacity in smaller organisations. This was in marked contrast to the earlier interviews when it appeared that the more distanced purchaser-provider relationship precluded an awareness of real or potential difficulties by most public service interviewees.

Relationship with other CSOs

CSOs have a history of working together in different ways, particularly at the 'street level' where the relationship is often mediated by individual workers in order to achieve good outcomes for their clients. While this is effective in terms of individual networks it does not automatically equate to an ongoing relationship at the organisational level, and is generally not self-sustaining, with individual relationships needing to be renegotiated as staff change. One interviewee suggested that the increased Commonwealth emphasis on structured partnerships between CSOs in tender requirements resulted from a recognition that the assumption that CSOs would

automatically partner and work collaboratively was incorrect. This suggests an increased understanding of the operation of the community sector. However, CSO interviewees also emphasised that partnerships could not be forced, and that structures and relationships needed to be functional if they were to be sustainable.

In the period since the first interviews there was evidence of an increased formalisation in such relationships in the form of Memoranda of Understanding (MoUs) between CSOs. Some of these MoUs formalised existing relationships, while others were negotiated as part of strategies to increase access to contracts. The incidence of joint tendering through lead agency, sub-contracting and consortia arrangements had also increased. All twelve of the CSOs in this study had been involved in these more formalised arrangements, with one CSO having more than forty-five MoUs with other agencies. These partnerships between CSOs involved a range of different formal mechanisms, including consortia with all parties named in the contract, sub-contracting, lead agency arrangements as well as informal networks and cooperative arrangements. The basis of these relationships varied. In some cases they had been initiated by the CSOs themselves, sometimes rushed into to secure funding, while others were developed over a period of time through an exploration of better ways to meet client needs. One CSO interviewee identified that these latter arrangements had decreased in number. Some interviewees noted that the language of MoUs and sub-contracting agreements usually mirrored the language of government contracts, supporting claims of institutional isomorphism. Others found they were able to create less detailed, less formalised MoUs because of existing working relationships.

Attitudes to partnership

Interviewees commented that government and CSOs view partnership between CSOs differently, with one interviewee suggesting that government appeared to think it was easier for CSOs to work in partnerships with each other than it was for government agencies when this need not be the case, as in any partnership there needed to be clarity around issues of governance, policy, procedure and process. Some CSO interviewees saw government as viewing a partnership only as an initial formal arrangement, without recognising that there was substantial work involved in maintaining an effective relationship and a need to build in accountability to other partners. Partnerships between CSOs often were seen as more complex than those with government agencies because of the organisations' strong values bases and the impact of differences in philosophy and practice. The impact of these and administrative differences will vary depending on the level of integration sought in the partnership. This is exemplified by two CSOs which had considered the possibility of a merger during the course of this study, but found that while on the surface the organisations looked similar their underpinning systems were so different that the resources needed for amalgamation would outweigh any benefits. Instead they formed a looser networked arrangement that allowed the cost savings of a larger entity without changing all management systems and enabled decisions to be made on an individual tender basis as to whether they cooperated or competed.

As indicated, some tenders had been framed to encourage or almost require such relationships through changes to the way funding was organised, including seeking to fund a single regional presence. This approach may be being driven by ideology or administrative convenience, and there was certainly a perception amongst CSOs of Commonwealth preference for larger agencies or consortia. Drivers of this

preference were identified as convenience for the government (through reducing the number of organisations with which they needed to contract) and a belief that such structures provided a better way of delivering services, a view not necessarily shared by CSO interviewees:

> *So I think it's setting up false parameters and people get involved in relationships that aren't necessarily going to produce positive outcomes. (CSO4)*

Such forced partnerships effectively transfer responsibility for service coherence and coordination to the community sector. This highlights the importance of the recognition of accountability mechanisms where there are multiple players in service delivery.

One cluster of smaller agencies had developed an informal peer support network amongst managers. This was extended to developing a joint response to government consultation about a proposed change to the funding arrangements. The managers then engaged their boards in considering formalisation of the relationship between the organisations. At the time of writing, joint working parties from the organisations were exploring a number of partnership models ranging from lead agency arrangements to merger or creation of a new organisation.

Different views were expressed by CSO interviewees about partnerships in rural and regional areas. One felt that a partnership was not necessarily the best model for rural areas and the pressure to work in that way was cited as an example of the lack of historical and contextual knowledge about regional areas. Another indicated that partnerships were the only feasible way to provide services over the large areas that tenders covered in their regions. Both of these views reflect the importance of local

context in the design of service delivery, and hence the need for local input to needs analysis and planning.

One CSO manager identified the tension between a philosophical commitment to collaboration and the need to grow the agency's own business:

> *We now speak all the time, we use the language of collaboration,*
> *working together, joined-up seamless, whatever. I think the reality*
> *is that organisations still look, predominantly, at their own*
> *business. (CSO16)*

Implementation issues

Two main types of partnerships were identified through the interviews. The first brought two organisations with similar skill sets together to provide an expanded service, either geographically or in terms of service delivery type. An advantage of such arrangements was the greater likelihood of being able to evaluate the level of performance of the 'like' agency, with the associated risk of making assumptions about degree of similarity. The second type of partnership brought together two groups with different skill sets to develop the capacity and the credibility to acquire funding to move into a new area of service delivery. In such a situation fewer assumptions were likely to be made about how the other organisation functioned, but there needed to be trust that they had appropriate expertise in the different areas and a need to ensure that values and philosophies were congruent.

Several CSO interviewees from smaller organisations indicated a belief that collusion was occurring between the larger agencies in tendering processes, with agencies 'divvying up the work', then tendering accordingly. These observations highlight the importance of transparency in the development of trust.

A range of practical issues were identified as having arisen through partnership arrangements with other CSOs. The decision to become involved in a partnership and choice of potential partners required consideration of a range of factors. One interviewee suggested reviewing the other agency's reputation and ability to achieve outcomes, and organisational capacity was also identified as important. One mid-size agency had made the decision not to become involved in partnerships as the lead agency as it did not consider it could manage the work of bringing in smaller organisations and potentially having to help them to meet its own standards. The interviewee from another large organisation recognised that, as a lead agency, the organisation was often used to support the growth and development of smaller organisations. Due to the smaller number of agencies working in specific service areas one smaller organisation had been approached to join the consortium arrangements of two competing agencies, which they felt placed them in a difficult position in terms of ongoing relationships. Concerns were raised about the additional resource costs of preparing joint tenders and the need to incorporate the extra administration requirements of the partnership arrangement. In one instance, setting up a new legal entity to facilitate bidding for national tenders had created a new stakeholder group whose views needed consideration.

A requirement for accountability to other partner(s) and the relationship was highlighted particularly by interviewees who had participated in partnerships that had experienced problems. MoUs and other forms of structural frameworks were seen as necessary but did not guarantee that the partnership would work effectively. The process of creating an MoU could prove frustrating for staff who were committed to working together and did not want to wait while it was endorsed through internal governance processes. This led some interviewees to prefer to develop informal

relationships between local level managers, however there was recognition that this relied on the goodwill and commitment of the individuals involved and might not necessarily be sustainable if staff moved. Where MoUs were used the inclusion of mechanisms and processes for communication, resolution of disputes between the partners and addressing problems in service delivery were seen as necessary for sustainability. This is consistent with the literature on partnership and collaboration (Mattessich, Murray-Close and Monsey, 2001; Winer and Ray, 1994).

Examples of problems were identified where differences in organisational culture and/or philosophy led to tensions between staff. The management structure of some arrangements had contributed to difficulties. One example was provided where a worker was employed by one agency but reported to a manager in the other, and experienced a mismatch of expectations from the two organisations. Another identified philosophical differences between the roles of 'enabler' and 'saver' as contributing to an ineffective relationship. A third example was where the difference in organisational cultures led to extensive work being needed to develop a clear understanding of how the organisations could work together.

The interface with government funders had caused difficulties for several interviewees, particularly around the need to provide joint financial reports. In one instance, the CSO partners negotiated separate contracts after being unable to resolve problems with managing the joint reporting requirements, while in a similar situation the funder would not agree to change the contract and the interviewee felt they were now an unwilling participant in a forced partnership. One interviewee had experienced difficulty in communication with the funder program area, which was inconsistent in sending information to the agencies, sometimes sending it to both and

sometimes only to the lead agency.

Smaller organisations saw looser network arrangements as positive. In one instance such arrangements had provided opportunities to take advantage of economies of scale in purchasing, to work together on accreditation processes, share advertising and promotion opportunities and to provide career opportunities for staff. Another interviewee identified shared training and peer support as advantages they had experienced.

While most interviewees described more successes than failures, there was general agreement that partnership arrangements were complex to manage and that the quality of the individual relationships between players was central to their success. This personal relationship did not negate the need for a clearly structured agreement:

> *We would have gone into the partnership if I hadn't known X, but*
> *we wouldn't have gone into it without cementing it through a*
> *partnership agreement – so it needs to be a legal document to*
> *ensure accountability between partners. (CSO13)*

Partnerships were seen to work where there was a lot of goodwill, and the people concerned had a history together and an understanding of what they were trying to achieve. Other key elements identified for successful partnerships included a similar understanding of ethical and conduct requirements, similar vision, goals and values, and respect for others. Similarity of service type was a factor that needed consideration but did not pre-dispose a partnership to success or failure. Both the size of the organisation and its location appeared to play a role in the motivation for and the success of such partnerships.

Both public sector and CSO interviewees commented that there had always been

competition between CSOs and that this remained despite the increase in formalised partnership arrangements. The introduction of tendering made this competition more overt, although interviews with CSO managers who provided country services suggests that there is less competition in some rural areas and more open discussions about working together and also about ensuring that services complement each other. Where a partnership arrangement is seen as the preferred option, there may be discussion on who might do what and who might auspice the arrangement, however this:

> *...doesn't preclude us also competing in some instances then working out how we will work together when the winner is announced. (CSO22)*

Relationship with private sector/business

Despite the promotion of community-business partnerships by the Prime Minister and the State Government sponsorship of the 100 Hours Project[11] there was limited evidence of partnership with business amongst the CSO interviewees. The relationship with business remained largely philanthropic (donations of cash or goods), although some relationships had moved to a more mutually beneficial situation through involvement of staff as volunteers. Some CSOs had arrangements for support around a particular service or event, for example a Christmas party for clients in one agency and a painting bee in another. Smaller organisations had found that local businesses were often willing to provide support through donations or favourable pricing of goods and services but that it was difficult to develop an ongoing relationship. Larger organisations tended to take a more professional

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[11] The 100 Hours Project provides a 'match-making' service for community agencies, who can register a need for assistance with activities for which the skills are likely to be found in the private sector, with interested corporate volunteers, who register their skill areas and willingness to offer up to l00 hours of voluntary support.

approach to fundraising and often had ongoing donor relationships, with some engagement of organisation staff in a few instances:

> ..(our) agency has taken a more professional approach – we
> employ people, that's their job to develop relationships between
> large organisations and the organisation nationally and also at
> the site level. (CSO18)

It was seen as difficult for SA CSOs to establish sustainable linkages with larger companies whose head offices were usually located in the Eastern states.

Other relationships

One of the church-affiliated agencies had strengthened the relationship between the organisation and the church through increasing the amount of information about activities being undertaken that were funded directly by parishioners' donations. Providing feedback to the congregations had led to both an increased interest from parishioners and increased level of donation. The CSO actively and successfully sought funding opportunities for programs that could be run from church buildings in local communities. These involved developing MoUs with the local church and active work on engaging in the CSO's activities.

Impact on accountability

Partnerships had led to the creation of additional stakeholders for some organisations, however this did not automatically lead to additional accountability demands in all relationships. Where the partnership was with business organisations the relationships remained largely philanthropic, and were consistent with Austin's (2003) finding that philanthropic relationships led to lower accountability demands than relationships which progressed towards an integrative relationship.

Where formal partnerships existed between CSOs, failure to consider the accountability implications was one factor which led to dysfunctional relationships. It could be anticipated that as CSOs became more experienced in managing such relationships this aspect would be managed more effectively. Where informal partnerships or collaboration existed, in some instances the need for accountability mechanisms was not considered until a problem arose. Such an approach carries a risk of relationship breakdown and a reluctance to engage in similar arrangements in the future. Government funding arrangements that increase structural complexity in the relationships between CSOs (eg the *Communities for Children* model) could be expected to lead to challenges in managing accountability for financial aspects, outputs and outcomes.

At the time of the initial interviews, accountability demands from government were seen to have the greatest impact on small agencies, but:

> *Their days are numbered as they don't have the resources to be accountable. (CSO18)*

Small agencies in the study were adopting growth strategies through expanding their areas of service delivery or by forming formal alliances with other organisations.

At the State Government level, public sector interviewees saw performance management remaining a weakness, partly because of the difficulty of evaluation and outcome measurement in the community services area, and partly because the funding department has had other priorities. One program area had recently negotiated a set of key performance indicators for which data collection would begin. These indicators were output based measures requiring categorisation of clients accessing the service, rather than outcome measures, however they were seen as a

first step in developing more effective performance measurement:

> *We think (they) will be useful as a 'let's have a look at this' as the,*
> *if you like, the first go at this, and monitor that over say, a year;*
> *see how we think that's going. Are they telling us what we thought*
> *they might? Not in terms of is the service doing well or badly, but*
> *are they the right indicators? ... (in the past) we haven't used it*
> *(data) terribly rigorously. It's been pretty much the project officer*
> *has a bit of a look and says 'Oh yeah, that looks about right', you*
> *know. Whereas what we would like to do is introduce a more*
> *structured approach to assessing data, and also a way of feeding*
> *something back to the agencies. (PS11)*

In this instance benchmarks had not been set, rather there was a clear commitment to a developmental approach, with the numeric data identifying potential questions to be asked of the CSO rather than being a measure of performance. The intention was that any issues raised by the data or analysis about service delivery would be referred back to the department's program funding area or research area. This performance monitoring was separated from the department's financial management area, though discussions were planned with that area about developing parameters which might flag the need for both areas to be involved. While this approach was not necessarily indicative of the department's approach it suggests significant change from the earlier interview period towards a more collaborative relationship. In particular it suggested:

- a move away from a perception of the funder as 'expert' to 'colleague';

- a use of action learning principles; and

- an awareness of the value of feeding back information and analysis to agencies.

Interviewees identified changes to the emphasis on financial accountability in some program areas, with less emphasis being placed on details of how the agency had managed its money and more on meeting output requirements. There was recognition by both funders and CSOs that accountability for outcomes was still not being addressed:

> *The bit we grapple with more is what is a good outcome for the client and how do you articulate that to government? (PS13)*

> *The reason that we have gone down this whole (quality assurance) approach is because we have failed, we have failed to find a way of measuring client outcomes. If in fact we were able to measure client outcomes, I think we'd have much less of a focus on the system-based, paper-based, quality assurance. I mean it is a substitute in a sense as well. We run these because if we have all of these things we're more likely to get a decent client outcome. (CSO9)*

At the time of the earlier interviews a number of Commonwealth-funded program areas had introduced quality assurance or standards requirements and several of the larger CSOs were commencing work on external quality accreditation. By 2004 the State Government had introduced the Service Excellence Framework. This was developed for use within the department as well as in funded services.

Quality and accountability – The Service Excellence Framework (SEF)

Quality assurance processes originated in manufacturing sectors where the assumption that good quality processes resulted in good products (outcomes) was more reliable than it is in community services. Interest in the use of quality approaches including Total Quality Management (TQM) and Continuous Quality Improvement (CQI) increased in the private sector in the 1980s and was transferred

to the public sector as part of the increased emphasis on service quality and the commercialisation of public services (Erridge, Fee and McIlroy, 1998). The 1990s brought interest in quality approaches for the non-profit sector in the UK (NCVO, 2000), Canada and USA (Cox, 1999). Thus, it is not surprising that the community services sector in Australia has also engaged with quality approaches on both a voluntary and mandated basis.

In the UK the National Council of Voluntary Organisations (NCVO nd) was funded to develop quality improvement processes. After a consultative process it moved away from its original intention (to develop new specific standards for the sector) towards a focus on self-assessment and continuous improvement approaches. Voluntary organisations were encouraged to choose from a range of existing quality systems (for example the Best Value approach at the local government funding level, Investors in People, PQASSO - Practical Quality Assurance System for Small Organisations, and the Excellence Model of the British Quality Foundation). Adoption of quality models has led to organisational change within CSOs (Bradshaw, 2003), though this is not an inevitable consequence (Paton, Foot and Payne, 2000), as well as being seen to have enhanced organisational legitimacy.

In Australia, some government funding programs (generally Commonwealth) have required a form of quality accreditation for some time, but these have often tended to be program-based and therefore not necessarily leading to adoption of quality approaches across the organisations as a whole. A number of the larger organisations in this study had sought or were considering external quality accreditation. This could be seen as providing them with an additional means of demonstrating accountability and establishing legitimacy. Interviewees identified one of the

weaknesses of any quality system - while they ensure that processes are in place they do not attempt to determine whether the processes actually result in improved outcomes. The underpinning assumption that documented good process will lead to a good product is valid in the manufacturing sector where quality approaches were first developed, but the linkage is less predictable in the community services sector, which is generally lacking performance measures that can indicate the quality of the community services output or 'product'.

There are risks in quality approaches with both the system of self-assessment against standards, and external validation or accreditation conducted by peers or an external quality agency. Self-assessment relies on the integrity of those implementing it, which may be compromised where it is an imposed requirement. Bernstein (1991) identified concerns about the capacity of external auditors in quality accreditation to differentiate actual compliance from 'paper compliance' as well as understanding the difference between what exists and what matters, however where the auditors were knowledgeable the process was seen as capable of leading to a positive sharing of ideas and of benefit to the organisation's staff. This reflects another level at which quality systems may fail to actually ensure quality service provision.

The State Government funding department had developed a quality and continuous improvement process (SEF) for use both in government departments and funded non government organisations. The SEF provides a framework at three levels - essential minimum requirements, foundation level and organisational learning level - covering eight categories:

- leadership;

- communication;

- working together;

- consumer satisfaction;

- sound management;

- service outcomes;

- contracting; and

- people.

The structure is similar to other quality frameworks and involves the identification of elements and sub-elements in each of the eight categories against which the organisation can assess its own performance. External validation is available through seven quality accreditation companies.

Interest in developing such a framework was based on results of a survey of both government and non-profit organisations conducted by the Department of Human Services in 2000/2001. This found that approximately 60% of funded services were not involved in any formal quality assurance process[12]. The Disability Services Office (DSO) that funded disability services had a quality process in place but this did not involve third-party assessment. A governing body, which included some representation from the non-profit sector was set up within the department to oversee the development of the SEF. Substantial support was provided to a pilot group of both government and non-profit organisations to trial the system. The majority of these were in the health or disability areas, and one was from the community sector. The subsequent division of the funding department into two separate departments led

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[12]   PS15.

to an expansion of membership of the oversighting committee and a decision to fund a project officer located in a community sector agency for twelve months to work with other CSOs wishing to engage in formal validation. The department provided further support to organisations wishing to undertake the SEF process in the form of resources (examples of evidence, contact names), training and payment of the cost of external validation.

The SEF workbook and support material has clearly been developed for a public sector audience. All but one of the examples of evidence provided in the resource folder are Departmental documents, the electronic versions of these are only available via the Departmental intranet (accessible to non-profit organisations) and the Self Assessment Workbook (DFC, 2004) has an annotation on the contents page:

> 'note to NGOs: where there is a reference to 'Department' in this document -the following can be substituted:
>
>> ". ..according to Department policies" -use 'the equivalent best practice'
>>
>> ". ..appropriate approval authority" -use 'or the equivalent eg Board of Management'

The SEF has been mapped against the Departmental common contract showing an overlap in the areas of consumer satisfaction, sound management, service outcomes, contracting and people. This suggests its capacity to be used as a performance monitoring tool in the future. The extent to which the framework documents reflect the language of government and the public sector supports the perception of CSO interviewees that the inclusion of non-profit organisations in the framework was an afterthought, demonstrating a lack of understanding of both the diversity of CSO

organisations and the issues facing the sector, including the lack of agreed 'best practice' in many areas of activity. While there was representation from the non-profit sector on the reference committee and some CSO participation in the pilot, there was not sufficient consultation with the community services sector to enable the development of any sense of ownership of the framework. The timing of much of the activity, which overlapped the restructuring of the funding departments and hence movement of staff involved with the framework, appears to have added to the confusion about the departmental intent around use of the SEF by funded CSOs.

However, interviewees indicated that the prospect of completing an assessment of the organisation's practices in the eight key areas and the gathering of documented evidence to support the existence of good practices was daunting, particularly for smaller organisations. The collection of evidence is likely to include the creation of new documentation, and in some cases the actual development of policies in smaller CSOs where, as one CSO interviewee put it, policies are often 'ethereal' (unwritten). There is a strong argument that this would enable a weakness in such an organisation's governance to be addressed, however there is room for debate on both the necessity and sufficiency of documentation as a means of internal control in small organisations.

Concerns about the resources required to implement the SEF were not restricted to smaller organisations. The work area of one of the public sector interviewees had recently completed the SEF assessment process and it proved resource intensive even for them. The concern was expressed that quality accreditation would become a further overlay on existing performance and monitoring requirements, with the risk that it would become a 'hoop-jumping' exercise rather than something that would

support service quality and improvement in the sector.

The resource cost of overlapping reporting requirements in general and quality requirements in particular was an issue raised in both sets of interviews. The State and Commonwealth funding departments had signed an agreement following a mapping of the SEF against the Australian Government Disability Employment Services Quality Assurance Standards (DESQA) for disability employment services. This agreement provided for a DESQA auditor to cover the common areas of the standards, thus reducing the cost and workload for organisations. This approach, though confined to one system only, addressed the concerns raised by CSOs in the initial interviews. In addition, the CSOs working in other areas that had already undertaken external quality accreditation obtained an exemption from undertaking the SEF following lobbying by the larger CSOs.

At the time of the second interviews widespread uncertainty about the funders' intended use of SEF was expressed by CSO as well as some public sector interviewees, and particularly the likelihood of it becoming a requirement of government funding. The official view appeared to be that the SEF was to be mandated in disability services and encouraged in other program areas, however it was a belief of some CSO interviewees that accreditation using the SEF (or an agreed substitute) would eventually become a condition of funding. This perception was supported by some interviewees' observations. One CSO manager had queried the reason the agency was unsuccessful in a recent tender and been told it was because they did not have quality accreditation. One public sector interviewee indicated that it was planned to incorporate a modified version of the SEF in one program area as part of its performance management framework. The modifications

were in recognition of the wide range of size of CSOs funded under the program and consultation with the sector was planned before introduction. Another public sector interviewee indicated that their funding program would encourage adoption of the framework, seeing it as a useful mechanism for agencies to demonstrate that they had good practices in place while recognising that it may not cater to the diversity of organisations in that program area.

CSOs in this study had different levels of experience with quality assurance processes in general and the SEF in particular. One CSO had completed the assessment and been externally validated, several had commenced assessment and others indicated that they felt they would be required to in the future, whether through direct or indirect pressure from funders. Several of the larger CSOs had had their established systems assessed and validated against the SEF. This required the provision of evidence of the use of a 'recognised and well regarded' framework and demonstration that it matches the SEF standards. One CSO manager whose agency had commenced the assessment process indicated that they had found value in the process of thinking things through and documenting what were sometimes informal policies. Another identified use was as leverage for managers to keep staff focussed on relevant aspects. The question was raised of the longer-term impact once accreditation had been achieved, given the resource costs of the process. The actual assessment and preparation for accreditation had been handled in several different ways; one had employed a new staff member to work on the required documentation, another allocated 4 hours/week of a staff member's time, and in one of the small organisations the manager had completed most of the work. All agreed it was a highly resource-intensive process, which was particularly challenging for smaller organisations. The experience of the SEF by some of the agencies in this study

supported Paton, Foot and Payne's (2000) finding that much of the perceived benefits from the quality approach arose from the dialogues that resulted from the self-assessment process, which provided a framework for internal stakeholders to appraise their structures and functioning.

A number of CSO interviewees raised concerns about the increasing emphasis on quality accreditation. The standards were seen to emphasise broad organisational quality and the existence and standard of internal processes rather than actual quality of service delivery. Several CSO interviewees identified a risk of the focus on quality crowding out attention being paid to client outcomes. It was recognised that the quality accreditation approach may have been emphasised partly because of failures to find ways to reliably and efficiently measure client outcomes:

> *Most of those systems can't by their very nature measure*
> *intangibles. And it's intangibles often that are actually at the*
> *heart of effective practice, particularly the relationship that has*
> *formed between a worker and a client. Now that is not governed*
> *by any of the quality assurance systems that I have seen, you*
> *know, other than those that have actually got a requirement to*
> *measure client satisfaction, but once again that is not actually*
> *measuring what the client satisfaction is, it's whether you have a*
> *system for client satisfaction. So you can actually have a damned*
> *good system, but everyone can be very unhappy, but that's ok.*
> *(CSO 9)*

There is evidence of ongoing interest in the measurement of outcomes in community services organisations. A recent project which piloted outcome measurement tools drew eighty-seven representatives of community service organisations to workshops for developing tools that were subsequently piloted in fifteen services. This study (Baulderstone and Talbot, 2004) found that outcome measurement was feasible and

practical when integrated with case management processes but required training and support for staff during its implementation. A more limited capacity for aggregation of data at high levels as well as the resource costs of data collection are likely to limit its value to government funders and hence reduce support for wide implementation.

The introduction of the Service Excellence Framework reinforced an existing trend of interest in, and adoption of, quality approaches within the community services sector. It has forced an extension of this interest to the smaller organisations that would otherwise have been less likely to engage because of resource costs. The implementation strategy of funding support positions in the sector may help to address this, and also possibly redress the perception of lack of ownership and relevance to the sector. There is a risk that individual program areas will seek to adapt or modify the framework to suit both funder and local sector needs, resulting in multiple disparate versions associated with program area funding, in the same way that various Commonwealth funded programs have developed their own standards. This is not necessarily problematic provided there is widespread acceptance of the notion of equivalence-mapping that has already occurred in the DESQA example and that agreed for the accreditation already achieved by the larger CSOs, and readily available information within funding agencies of the accepted equivalences. Unfortunately it is not evident from the experience to date that this aspect of knowledge management is in place or if it is, being used. There is a capacity for quality accreditation to be promoted to donors as an assurance of value from donations, which could lead to mimetic isomorphism pressures.

Overall, the experience of interviewees reflected the findings of Cairns et al' (2004) study of 165 non government organisations in the United Kingdom, which found:

- adoption of a quality system was often influenced by funder guidance or pressure;

- accountability and legitimacy was one driver;

- some organisations adopted a QA system to pre-empt external pressure to adopt a particular system;

- internal drivers included need to assure users of service quality, demonstrate commitment to organisational development and improve consistency;

- implementation challenges were operational rather than ideological; and

- the optimum model for system adoption is an informed choice of an appropriate system with adequate support and resources for implementation.

Transparency

Transparency remained a common theme in interviews with both CSO and public sector staff. The contractual processes were seen to have increased transparency in that government expectations and requirements were more clearly articulated in the request for tender and eventual contracts or service agreements. Transparency of CSO activities had increased through more comprehensive and in some cases automated reporting requirements. As discussed earlier in this chapter, concerns had arisen about the transparency of government processes through the allocation of the SII money and instances were raised by CSOs where the negotiations with the selected tenderer had so changed the scope of the service to be provided that other CSOs felt it would have been more appropriate to re-tender. Transparency in contractual areas is a contentious issue. One CSO had been successful in winning a Commonwealth tender and at the time of the second interview had been notified that

an unsuccessful tenderer had sought, and was to be granted[13] access to details of the winning tender under Freedom of Information provisions. Should this occur it creates an extraordinary precedent as it appears inconsistent with the approach taken in other forms of government contracting.

The literature suggests that transparency is a factor that will lead to greater trust between the parties. Broadbent's (1996) model predicts that the level of trust would have been highest during the grant-making era, lowest during the more distanced purchaser-provider era and would have begun to increase during the introduction of the partnership approaches. Comparison of the first and second set of interviews suggests general agreement that there has been a change in attitude, with indications of more openness from government ministers and public servants, but that both public sector and CSO interviewees identified a need for the other to respect their knowledge and expertise. The current state could be described as 'cautious trust'.

Issues emerged about the transparency of CSOs themselves in several contexts. CSOs identified numerous stakeholders when asked to whom they were accountable, and spoke of a range of mechanisms by which they demonstrated their accountability. Accountability to government is clearly managed through required reporting mechanisms, which may vary between program areas but will not vary between organisations funded under a particular program. Accountability to other stakeholders is within the control of the organisation itself. Accountability to staff, donors and clients was of particular interest. Evidence was sought of reporting to these stakeholders through paper documentation and Internet websites. The intention was to examine the range of practices rather than make direct comparisons between the CSOs.

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[13]   In contrast with the more general practice of de-briefing against the selection criteria.

Confirming evidence of accountability directed specifically to staff was not obtained. Instead interviewee responses were relied on and staff access to annual reports assumed. Accountability to donors was examined through annual reports produced by all CSOs in the study, and through newsletters which larger organisations tended to use. Material available from waiting rooms was assumed to contribute to accountability to clients. It should be noted that paper material was obtained from that provided in client waiting areas rather than being requested explicitly. The availability of such material could be expected to vary at different times. While some organisations had copies of their annual report available in the waiting room, it would be expected that a limited number of these were printed and reprinting for waiting room provision would be unlikely, therefore the unavailability of a report was not seen as indicative of a failure to make this information available to clients. CSOs provide information to stakeholders through a range of mechanisms including:

- formal reporting to government funders;

- external evaluations undertaken on behalf of government funders;

- Internal reporting to boards;

- annual reports, which may be provided to members, be available more widely from within the organisation or posted on a website;

- brochures and pamphlets available within organisations providing information about values, complaints mechanisms and privacy policies; and

- newsletters targeted at supporters and providing 'good news' stories, awareness-raising stories and appeals for assistance.

One CSO had developed an internal performance management system that attempted

to address the needs of the organisations' multiple stakeholders and provided output data and performance against twenty one key performance indicators on its website as well as in the annual report. Annual reports from other CSOs varied in both the extent of the content and the depth of information provided. While all included the financial statements required through their incorporation, some extended the financial information to a breakdown by program, and differentiation of government and agency-generated contributions to income.

By the second stage of the interviews all but one of the CSOs had a website. Here, too, the amount of information varied. All included services provided, locations of services and contact details. Elements which were included in some, but not all sites included:

- statements of vision, mission, values, principles and/or objectives;

- organisational history;

- annual report;

- governance structure and board members;

- acknowledgement of corporate donors;

- copies of brochures, newsletters and other publications;

- information on feedback and complaints mechanisms; and

- strategic plan.

Brochures available in waiting areas generally provided information about services. Newsletters appeared to be targeted towards actual and potential donors and

supporters, with a focus on stories demonstrating the value and benefits of the work undertaken, expressing appreciation to donors and, in some cases, directly soliciting donations. Several of the examples obtained also appeared to play a role as an educative tool, identifying social issues and providing information and analysis. It was interesting to note that not all CSOs include information about the existence or extent of government funding in promotional material.

Conflicting accountability

One of the themes arising from the first interviews and explored further in the second set of interviews was the management of conflicts in accountability. The existence of multiple stakeholders raises the potential for conflictual demands and tensions in the management of accountability to each of them. Some CSO interviewees did not perceive that this was an issue for their organisations, but a number of areas of potential and/or actual conflict were identified by both CSO and public sector interviewees. These included conflicts between:

- organisation's mission/values and beliefs, and interests of donors;

- organisation's mission/values and expectations of government funders;

- staff beliefs/values and managers' implementation of organisational requirements; and

- staff beliefs/values and church positions in church-affiliated organisations.

One CSO interviewee spoke of the need to 'run programs past the agency's own values' before deciding whether to submit a particular tender, and a number of instances were cited where a conscious decision was made not to submit a tender because of perceived conflict with organisational (or church) values. Different

perspectives on issues held by staff and stakeholders were identified as an occasional source of tension including situations where staff views were not congruent with the affiliated church's public position and care needed to be taken about what was said in the public domain. Values tensions were identified as something that CSOs needed to address:

> *What I like about (organisation), it does critically analyse that*
> *stuff. It looks at how do we exist as a competitive business, you*
> *know the corporate model, and not kind of move away from those*
> *values that underscore and underpin what we do at a site level.*
> *(CSO18)*

Examples of tensions arising from different donor values were also identified, including the CSOs' definition of what constitutes a family, the provision of services to same-sex couples, whether assistance should be provided to Temporary Protection Visa holders, and whether clients express gratitude for services. These tended to be addressed through diplomacy in conversation rather than direct confrontation. The use of donor funds for other than the purposes indicated by a fundraising campaign received public attention in the USA post-September 11 and in Australia after the Bali bombings. Where CSOs solicited funds for particular purposes, they deemed it important to ensure that this was how they were used. One CSO interviewee described a situation where a donor had provided funding for a particular purpose, but when it became clear that this was not what was needed by the client group, the CSO manager offered to return the money to the donor. Lipsky and Smith (1990) contrasted government and CSO positions on equity and responsiveness. Government must ensure equitable resource distribution. Therefore it looks for unambiguous eligibility criteria and indicators, whereas the CSOs emphasis on serving a client group compatible with the agency mission can lead to a focus on

responsiveness over equity. Responses from CSO interviewees in this study indicated an understanding of this potential dilemma which was usually addressed through using the agency's 'own funds' for non-funded clients.

Discussion

The results of the later interviews suggest that there have been changes in relationship with both State and Commonwealth governments in the years since the 2000/2001 interviews. These have had both positive and negative impacts for CSOs. Some funder requirements impacted adversely on smaller organisations, which were less able to absorb the resource impacts of increased accountability requirements. This has been exacerbated by rising insurance costs in the sector. Government funders appear to have moved away from the rigid separation from the sector apparent in the early days of public service reform, however the rebuilding of relationships has been made more difficult by the staffing changes resulting from restructuring within the public sector, and this appears to have distracted attention from the overall relationship improvements, at least for some CSO interviewees.

The changes introduced by the State Government reflect some aspects of Kettner and Martin's (1990) model of relational contracting in that they suggest awareness and commitment to the sustainability of a pluralist service system, attempts to provide longer-term rather than short-term contracts, a more collaborative relationship between purchaser and supplier, and recognition of history and service system needs. The development of the *Common Ground Framework,* which promotes joint planning and policy and program development, addresses McCann's (2001) criticism of the devaluing of the less tangible aspects of the relationship. It could be argued that in a small state (in population terms) it is inevitable that long-term relationships

are developed with the community service 'industry', and this facilitates the development of mutual understanding of purchasers' needs and intentions, and provider motivation and capacity that is characteristic of Hardy and Wistow's (1998) mature purchasing framework. However, the stability of purchasing patterns characteristic of this framework has been disrupted recently by the SII funding which is perceived as lacking the transparency of 'mainstream' funding. Should the reduced transparency continue, it is likely that trust will be eroded. This is not to suggest that mixed models of contracting similar to that found by Darwin, Duberley and Johnston (2000) in their study would be opposed by the community services sector. CSO interviewees indicated their willingness to function within a complex funding framework which incorporates open and selected tenders and occasional special purpose grants provided processes are transparent.

There is less evidence of changes in the relationship with CSOs at the Commonwealth level, and the language of partnership appeared at the time of this study to be a cooperative rhetoric (Hamilton-Howard, 2001) overlying the existing contractual regime, with the emphasis remaining on conformity. The fact that there had been some moves to more inclusive planning in at least some program areas (eg the Children's Services) suggests that it is too early to conclude that a more effective relationship cannot be achieved, and the introduction of the use of lead agency funding (Communities for Children) is too recent for the impact to be assessed.

Partnerships with government at both State and Commonwealth levels were more likely to have characteristics of Lewis's (2001) dependent partnership than to be active. The relationship between CSOs and government will always be constrained by government funding cycles and the need for responsiveness to political demands.

The State Government has indicated some movement towards the paradigm shift needed (McGregor-Lowndes and Turnour, 2003) for a partnership relationship. However, it would appear that changes are too recent to have impacted on levels of trust, and caution is still expressed within the community services sector. Sustainability of a diverse sector, which includes smaller services, community-based services and the capacity for the development of social capital, argues for the further development of relational contracting. This does not mean that contracts should rely solely on trust, and not identify parties' roles and expectations. Keating (2004) rightly argues that such forms of relational contracts are not appropriate for the expenditure of public money. However, elements of the relational models can be incorporated into the existing contractual relationships. Earles (2000) has argued that there is a paradox in the co-existence of partnerships in policy development concurrent with individual contractual relationships for funding. However Talbot (2005) would argue that such paradoxical behaviour is as characteristic of public institutions as it is of human behaviour. This is evident through the multiple accountabilities described by interviewees. While there is some alignment of motives between CSOs and government, and between donors and CSOs, there are also areas where CSOs actively seek to change government and donor beliefs and understandings. The existence of multiple and often paradoxical motivations for CSO behaviour would argue against the adoption of stewardship theory as a single theoretical framework for the relationship between governments and CSOs.

The multiplicity of meanings of 'partnership' found in the literature was reflected in the use of the term by both CSO and public sector interviewees. CSO interviewees emphasised the instrumental aspects of partnership, while public sector documentation often appeared to take an idealistic position (Tomlinson, 2005). It is

clear that for there to be meaningful dialogue between government and CSOs about partnership, there must be mutual agreement as to the use of the term at any one time. This does not necessarily mean a consensus on the definition, but rather the development of a shared glossary that will ensure that there is mutual understanding of the parameters in documents mentioning partnership or in negotiations. Without this, different stakeholders can pursue different agendas each believing there is a common understanding.

There appear to be two main drivers of partnership for government - recognition of the need to broaden responsibility for complex problems, and the need to reduce the demand on government funds. The recognition of overlapping mandates and issue complexity has also resulted in internal attempts to increase the extent to which government departments work together. The promotion of volunteering and recognition at the State level through the *Volunteering Compact* could be seen as a response to community disengagement, or more cynically as a way of minimising resource usage. CSOs identified a number of reasons for pursuing partnerships, including resource constraints, increased likelihood of service user need and as a means of increasing the chance of winning competitive tenders. The introduction of the SEF will provide a test for CSOs' relationship with government, as it has the potential to be used as an instrument of control as well as a tool for development.

The number of formalised partnerships between CSOs appears to have increased exponentially since the first interviews, although informal cooperative arrangements continue to co-exist. In discussing the more formal relationships, CSO interviewees identified examples of both successful and unsuccessful partnerships with other CSOs. Three of Oliver's (1990) six determinants of relationship formation were

particularly evident in their stories. All of the partnerships described were voluntary rather than mandatory (necessity contingency), and while there were examples of partnership that involved size differentials, none appeared to be prompted by asymmetry contingency, 'a desire to exercise power or control over another organisation or its resources' (Oliver, 1990:243). Instead, the determinants appeared to be reciprocity in the pursuit of common goals, efficiency in reducing costs, and to a lesser extent stability, responding to environmental uncertainties by establishing more stable connections. Increased legitimacy was not an explicit objective but could be seen as an incidental consequence of some of the partnerships between small organisations and those with a higher profile. Many, but not all of the CSO partnerships had characteristics of Lewis's (2001) active partnership, allowing for ongoing negotiation, learning, information exchange and openness to internal debate and dissent.

While the term partnership was used to encompass relationships that varied in their degree of formality and connectedness, some common themes emerged about critical success factors:

- the importance of governance frameworks;

- the need for structures and mechanisms for the resolution of complaints and problems;

- the importance of personal relationships;

- the 'fit' of organisational cultures; and

- particularly, the fit of core values.

Clearly the choice of partner is critical, and often appears to rely on personal

relationships as a starting point, as well as the reputation of the CSO.

Summary

This chapter began by questioning whether the nature of the relationships of CSOs with government, business and other CSOs had changed since the adoption of partnership language. It has demonstrated that while changes in the relationship between government and CSOs have occurred, they have overlaid the existing contractual relationships that were entrenched through the earlier period of public sector reform. While this was not seen as inappropriate by CSO interviewees, most felt there was a need for further changes, particularly a need for greater transparency of decision-making. Accountability requirements have also changed. More stakeholders have been added to those who hold CSOs to account, quality assurance systems have added to the mechanisms by which they are held to account and there have been some changes to what funders hold CSOs accountable for. Some of the criticisms identified after the move to purchaser-provider funding arrangements have been addressed. However inconsistencies remained across funding programs and not all of these changes were consistent with a partnership relationship. CSOs again articulated the need for a meaningful two-way accountability relationship with government funders.

CSO accountability to other stakeholders is largely under the control of the individual agency, and significant differences were identified between agencies in their level of reporting to other stakeholders. The number and forms of relationships between CSOs had expanded, creating new forms of accountability. CSO relationships with business have shown the least change. In the same way that the language of contracting initially raised fears, the language of partnership raises

expectations that may not be met.

The increase in public debate about the accountability of non-government organisations may result in more regulation of the sector. It was not clear at the time of writing whether this is more likely to involve external or self-regulation.

CHAPTER 9 MANAGING ACCOUNTABILITY – A WAY FORWARD?

This study began with questions about the meaning of accountability in CSOs and a desire to explore CSO responses to accountability relationships in the light of the relationship with government funders. It used a sample of CSOs within SA to explore these questions. During the course of the study the increased use of partnership discourses raised further questions about the implications of partnership and collaboration for the management of accountability.

Analysis of interview and documentary data showed that CSO managers in the sampled organisations identified accountability relationships with multiple stakeholders whose interests and needs were often different. They also indicated that there has been an increase in both the emphasis on and external interest in CSOs' accountability. Both external and internal factors have influenced this. This changed environment for managing accountability in CSOs has been dominated by the relationship with government funders, narrowing the focus of some organisations, constraining the range of accountability mechanisms used and highlighting the tensions between stakeholder interests. However in other organisations it has served to increase the use of accountability mechanisms and to extend the focus to other stakeholders.

The public sector reforms of the 1980s and 1990s created a different set of government expectations of CSOs and changed the relationship between them. The pressures on the public sector to increase accountability throughout this period of reform were translated to demands on community service organisations via contracts or service agreements. This resulted in an increased level of reporting of financial

and output information to government, but has not necessarily led to an increased overall accountability to stakeholders. Reviewing this study's findings highlights some weaknesses in CSO accountability.

Public sector reforms separated the roles the sector played in funding, purchasing and providing services. This separation led to unease with CSO involvement in planning and policy-making, and a re-casting of the funding role to that of a purchaser of services. This approach in turn raised anxiety and concerns for both academics and practitioners, many of which were realised, as has been shown in this study. Changes were expressed and acted on differently in different jurisdictions. In South Australia, the site of this study, there was relatively early recognition of the need to return to a cooperative rather than distanced relationship between the CSO and State and Commonwealth public sectors. A change of government and two public sector departmental restructures slowed the realisation of that earlier recognition, but activity directed towards the development of cooperation has increased and been reinforced by the more recent adoption of the language of partnership and governance that is currently influencing a number of Western democracies and international development arenas.

The recent development of formal agreements or 'compacts' by a number of state governments is a positive indicator for future relationships but it is important that these do not become meaningless symbols through lack of systematic implementation. They need to be promulgated within the public sector as well as CSOs to ensure they become living documents rather than rhetoric, and the implications for tendering, funding and monitoring explored.

This study suggests that there has been less change in the relationship at the

Commonwealth level. While state level peak bodies were able to work together to lobby and influence the development of agreements, the lack of a broad national level representative group may have hampered similar action at this level, particularly in an environment that is not supportive of the role of such organisations in policy making. The newly formed National Roundtable of Nonprofit Organisations may be able to play such a role but it is not yet clear how this organisation will be perceived in light of Prime Minister Howard's support for the creation of Nonprofit Australia.

This chapter identifies possible ways forward in the management of accountability at the organisational and sector level and in the public sector management of accountability where governments' fund CSOs, each of which includes the need to continue to balance competing interests.

Public sector accountability

Government funding is likely to continue to play a critical role in most CSOs' financial survival. While this is the case, public sector views about accountability will continue to influence accountability demands on the community services sector. There are inherent differences in CSO and public sector views about accountability, derived from their different histories and underpinning values. The current conception of public sector accountability in Australia draws on a Westminster tradition, and has been influenced by two decades of public sector reform and scrutiny. It has been, and will always be the case that the public sector must be able to account for the appropriate expenditure of public money and for citizen's equitable access to services. The emphasis on accountability for process pre-reform could be seen as having been directed towards this end.

Public sector reforms challenged traditional upward Westminster accountability. These reforms emphasised responsiveness to the public, thus increasing an awareness and emphasis on downward accountability. More recently there has been an attempt to structure inward accountability, particularly through the promotion of 'values-based management' (APSC, 2003) within the Australian Public Sector. This appears to be an attempt to respond to the contemporary public sector's complex operating and accountability environment. Walker's (2002) two contradictory strands are evident - increased recognition of multiple stakeholders and multiple accountabilities is congruent with the conceptualisation of accountability of CSOs in this study and opens accountability to a more negotiated framework of accountability, while the use of contractual funding arrangements narrows the framework.

Public service reforms also emphasised accountability for results, which raised challenges for government in determining which results should be the focus of attention, and how external impacts could be accounted for and goal displacement avoided. These questions exist whether services are provided by the public sector, or by third parties under contract or other funding arrangements, but mechanisms and responses are likely to be different with the different location of service delivery. Demonstrating accountability for outcomes is more complex than accountability for probity and equity. Public expenditure needs to be directed towards the achievement of outcomes within the government's mandate. In human services, however, there is usually no certainty that a particular intervention will lead to a particular outcome.

This study suggests that most program areas responsible for community services within the public sector have independently developed mechanisms to try to ensure achievement of outcomes, but due to measurement difficulties the emphasis has

remained on proxy measures that appear to have generated more in the way of reports than actual evidence of achievement of results. The emphasis has remained on outputs and immediate impacts (functional accountability, in Edwards and Hulme's (2002) terms) rather than strategic accountability. This tends to reward organisations for short-term results, which can be appropriate in some service areas, but neglects monitoring the achievement of longer-term strategic change. The recent adoption of a State Strategic Plan (SA Government 2004), based on the approach used by Oregon in the USA, is evidence of a recognition of alternative approaches at a whole of government level in South Australia. The plan has identified targets and performance indicators under six objectives, one of which, *Building Communities*, can be seen to include the community sector. It is not clear, however, if or how these high level targets will be translated to funded services' accountability requirements.

The recent increase in emphasis on quality approaches at the funding level suggests a possible return to the focus on process, with the accompanying risk of goal displacement. This is not to suggest that quality processes and accreditation are ineffective or inappropriate, merely that they risk becoming another 'hoop' that is jumped through rather than a philosophy that is embedded in organisational practice. This risk is greater in smaller organisations where tensions between expenditure on service delivery and administration are more evident to staff and observers.

The emphasis on contracting for services raised the profile of accountability through its requirement for critical capacities (Keating, 2004) to:

- specify what was wanted;

- maintain oversight of performance; and

- enforce contract provisions.

This study has identified weaknesses in all of these areas and in particular the areas of outcome measures and meaningful performance measures remain significantly under-developed. Recognition of the difficulty in specifying the desired 'product' and measuring 'success' in delivering human services has contributed to the question of whether purchase-of-service contracting is an appropriate approach for funding such services. The South Australian funding department's proposal for a suite of funding models indicates this question is being taken seriously. Whatever the approach taken to funding decisions, it is critical that adequate and effective accountability is demonstrated given the magnitude of government funding for the human services. The pursuit of uniform accountability frameworks and tools reflects the political aspect of managing accountability – it is something public servants need to be able to demonstrate they are doing even if the tools and processes are not particularly effective. At the same time there is recognition amongst most public servants that compliance with accountability measures should not lead to unreasonable cost burdens or the development of systems for systems-sake, under which accountability processes become hoop-jumping exercises. Public sector strategic and operational planning is inherently difficult and often messy because of multiple goals and political influences. Its management of accountability is likely to be equivalently and necessarily complex.

The impact of public service reforms on accountability for community services was greatest where services previously provided by government were contracted out. In fact, with the exception of the Job Network this has not occurred to any great extent in South Australia. Most CSOs in this study identified the major effect as a change in

the mode of funding away from grant-based to competitive tendering or formal contracting. More clearly defined contracts or service agreements could be seen to have increased accountability to the funder through tighter specification of purpose and increasingly rigorous monitoring arrangements. These have changed the focus of accountability towards accountability for outputs. This would be adequate only if outputs were a sufficient proxy indicator for the outcomes that are the objective of the community service programs. It is argued that this is not the case. However output measures do meet the public sector's need for easily aggregated data that can be provided as part of upward accountability.

This study also suggests some degree of imposition of reporting mechanisms that are not in fact monitored or evaluated and where there is limited or no feedback to enable service improvement. The majority of public servants interviewed, however, demonstrated an interest in the development of *useful* accountability mechanisms, but often appeared constrained from attempting to explore alternative approaches by political and structural changes. The lack of progress in developing whole-of-government approaches and inter-departmental collaboration acts as a barrier to the development of more consistent, coherent reporting mechanisms, as does the resource investment already made by departments in the development of program-level databases.

Both the concept of Westminster accountability and the practices of the purchaser-provider models may be further clouded by the adoption of the language of governance and partnership. This does not necessarily mean that accountability will be reduced, but rather that thinking about accountability and the mechanisms needed to demonstrate it may need to change. This study suggests that the management of

accountability within a partnership relationship has received limited attention. Despite the language of partnership being introduced in referring to the relationship between government and the community sector, the focus remains on contractual reporting, although there have been some attempts to make this more meaningful through consultation or negotiation with CSOs regarding some aspects of report content. If there is to be a true partnership, defining and managing accountability frameworks will need to be determined through collaborative processes rather than being driven by the public sector - it would be negotiated rather than imposed. However, this requires a clearer understanding of what is expected from the partnership relationship and an interest in meaningful accountability rather than merely paying lip-service to the principles.

Different assumptions have underpinned the relationship between government and CSOs through different funding models. The extent of accountability of each party, the emphasis on what each is accountable for and expectations regarding transparency were also different. Table 11 summarises these differences in the submission, planning and contracting models, and suggests parameters for a partnership relationship. The transition from submission to contracting models of funding can be represented as a move from a paradigm of 'fund us to do good things' to one of 'pay us to produce these outputs'. Changing to a partnership relationship introduces a paradigm of 'let's work together to achieve these outcomes'. This is a more difficult relationship to manage, particularly in the context of external scrutiny of public sector funding. If a partnership model is to be meaningful there would need to be ongoing dialogue between the players through the planning and evaluation stages. This can occur within a range of funding mechanisms but means shared accountability for planning and for the improvement of service delivery models.

Table 11:   Accountability under different models of funding

Models	*Assumptions*	*Accountability*	*Transparency*
Submission	CSOs have better knowledge of community needs and can be trusted to meet them. It is appropriate for government to support CSOs to do this.	CSOs assumed to be meeting needs. CSO to provide evidence that funds were acquitted.	Retrospective transparency of government – can only be evident after funding received. Limited transparency of CSOs – depends on what they choose to report on beyond funds acquittal.
Planning	Both government and CSOs bring useful perspectives to planning for community services, but the state should drive the process.	State accountable for plan. CSO to provide evidence that funds were expended on planned services. Some evidence of type and number of services provided.	Transparency requires open access to planning process rather than selective involvement of CSOs.
Contracting	Government should be 'rowing' and therefore play a dominant role in identifying community need. CSOs should provide services to state specifications. Market mechanisms will ensure efficiency. Monitoring is needed to achieve effectiveness.	State is accountable for plan: CSOs to provide evidence of outcomes and/or outputs achieved.	Planning decisions not necessarily transparent. Contracting decisions provided and processes followed. Potentially high level of transparency of CSOs depending on monitoring processes set up.
Partnership	State and CSOs jointly contribute to planning; multiple models of funding services co-exist. There is mutual trust and respect between State and CSOs.	Both state and CSOs accountable for the plan. CSOs to provide evidence of outputs. Both state and CSOs to monitor outcomes and develop service improvement strategies.	Open access to planning processes. Reasons for decisions re funding models clear. Information on effectiveness shared.

In Canada, Cutt and Murray (2000) found that they could not get government funders

interested in a pilot aimed to improve the evaluation of services provided by CSOs.

They argued that this was because evaluation processes are political, involving ideological positions and personal networks, and that public servants were more comfortable with such an approach than a technical-rational approach. In south Australia evaluation has generally been government-initiated and associated with decisions about extending the funding of pilot programs. In this study, larger organisations had some capacity and experience in conducting internal program evaluations but government-funded evaluations were the more common arrangement. Evaluation provides the capacity for Aucoin and Heintzman's (2000) third area of government accountability – accountability as the basis for learning and improvement in public management – but there is limited evidence of their systematic use for this purpose.

Models of shared accountability discussed in Chapter 4 identified necessary conditions of a willingness to share power, trust between parties, mutual transparency and open communication. While some question whether partnerships can exist given the funding and legislative power of the government over CSOs, this study suggests that in reality the power differentials are more complex. Some contracting practices have created monopolies or near monopolies, increasing the bargaining power of those organisations involved and in at least some of the sector in South Australia there is a strategic understanding of the power of CSOs. However, this is not evidence of a *willingness* to share power. Trust is a fragile aspect of relationships, needing to be developed over time and able to be damaged by myths and misconceptions as well as actual betrayals. This study suggests some damage to the trust of government as a result of lack of transparency of funding decisions associated with the SII. Transparency can support the development and maintenance of trust as well as countering the fuzzy boundary between trust and collusion. The

government's approach to implementing *Common Ground* and to funding allocation models will be the key to developing and maintaining trust.

Community sector accountability

The focus of this study has been the community sector, however this sector is affected by issues in the wider non-profit or third sectors. Criticisms within Australia and internationally about a lack of accountability in NGOs risk affecting community sector organisations. Issues about charities' fundraising and expenditure practices have been highlighted worldwide recently by what many saw as inappropriate behaviour by the Red Cross[14] in response to September 11 and the Bali bombings. The action of Medecins Sans Frontieres[15] in response to the 2004 tsunami again raised the profile of accountability in the media.

This study identified a number of indicators of the timeliness of considering sector-wide regulation. Some of the difficulties individual CSOs experienced with managing accountability came from inconsistencies in external requirements and multiple overlapping demands. Sector-wide standards would create the basis to negotiate for greater consistency from individual funders. Public criticism of the sector as a whole as well as of individual organisations creates a climate of 'lack of trust'. This suggests that adoption of sectoral standards within some form of regulatory regime could enhance the sector's legitimacy and provide a platform for defending CSOs from criticism. It is not suggested that this is a straightforward task. Adoption of standards requires agreement on the areas that need standards and on the

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[14] In both instances funds pledged in response to the particular appeals were diverted or planned to be diverted to other purposes which were within the mandate of the organisation but not directly related to the particular disaster.

[15] MSF has a clear mission to operate in crisis situations. When it had received sufficient funds from their Tsunami appeal to cover their predicted crisis response they indicated to donors through their website that they had closed the Tsunami appeal but would of course welcome donations to their general fund. Refunds were offered to donors who did not want their contributions to be re-directed. See eg http://www.msf.org.au/features/tsunamis/td-12.shtml accessed 10 February 2005.

content of minimum and/or aspirational standards.

Examining approaches to enhancing accountability and legitimacy in civil society, Brown (forthcoming:3) identified two kinds of agreed standards (sector domain standards and problem domain standards) for accountability which he sees as emerging from:

> …gradually converging agreements among domain actors about
> norms of practice or as a response to outside threats to autonomy
> or viability

Sector-domain standards apply to a community of organisations that share a sectoral identity and problem-domain standards are developed where organisations from different sectors interact to manage a particular problem or issue. Development of domain standards requires a level of consensus plus a body to represent the sector. A representative third sector body has not previously existed in the Australian context, but as noted earlier, two potential entities have been created recently. One of these, the Nonprofit Roundtable, issued a media release announcing its formation in which it called for reform of the legal and regulatory framework (NR 2004). Such calls are not confined to Australia. Canada is also considering regulatory reform of its charity sector and NZ is moving to a separate Commission (Joint Round Table, 2003). England and Wales have a separate Charity Commission (Charity Commission 2005) that has a role in:

- registration and regulation;

- support and advice;

- strengthening boards;

- receiving complaints; and

- legal powers of investigation.

It would seem difficult to improve the sector's accountability as a whole while inconsistent and complex regulatory regimes remain. There is a need for government to act for regulatory reform in the same way it has for business. It is inconsistent for government to encourage partnerships and devolve responsibility but fail to remove the barriers created by inconsistent regulation and duplicated accountability regimes. As identified by Woodward (2004), development of specific accounting standards and minimum public disclosure requirements is a first priority. The Industry Commission Sector first called for specific accounting standards in 1995. Nearly 20 years later many of the CSO interviewees identified the lack of these as a significant hindrance to improving levels of accountability.

There is also a need to match accountability reporting and monitoring to risk. In the context of this study the major risk factors are the potential for misuse of public money and the failure to protect vulnerable citizens. Incorporating a risk analysis approach to funding would facilitate adoption of a more flexible approach. There is no reason why the sector's diversity cannot be accommodated in the same way that business regulation differentiates private sector organisations. The Australian Securities and Investment Commission's (ASIC) regulation of the private sector recognises differential requirements based on the organisation's size. While not suggesting government use private sector regulation as a model, it is interesting to note that Woodward (2004) has recommended use of a single regulatory body, with State governments ceding their powers to the Commonwealth. She also identified a need for a central body for the provision of advice and support.

This raises the question of whether all third sector organisations should be subject to the same accountability requirements. It is suggested that one defining feature could be the funding sources for the organisations. It is difficult to see why those that do not have charity status or are not providing services on behalf of government should be subjected to a regulatory regime any different from the private sector. Vulnerability of service users would appear to be the only rationale for extended accountability requirements.

It could be argued that if organisations have charity status there is a need for additional accountability requirements, given the advantages the organisation accrue as a result of that status. Similarly, where a government funds a CSO, they have a legitimate right to expect an appropriate accountability mechanism, which, particularly through the period of public sector reform, with its emphasis on separation of purchaser-provider roles tended to be an imposed regime that delivered a one-size-fits all approach across programs or within a program area. In some program areas, however, organisations with existing funding arrangements have retained less rigorous accountability requirements than newly funded organisations.

Regulation is an appropriate response where market mechanisms fail. The movement to partnership models demonstrates increasing recognition that the community services sector does not operate effectively within a market environment. As well as independent calls for greater consistency of regulation (Woodward, 2004), the sector itself has identified this as an urgent need, as it would not only provide clarity for individual organisations and consistency across the sector, but would also facilitate provision of training and support around governance issues, for example through peak bodies. While self-regulation may be seen as preferable to government

regulation in an environment where there are some concerns about government's attitude towards the sector, the great diversity of organisation type and focus suggest it would be difficult to bring a cohesive, representative group together to do this.

The regulatory regime will structure accountability of individual organisations to some extent. However, accountability in the sector should not be driven solely by government. Individual organisations may choose to demonstrate accountability to stakeholders in different ways, but the existence of common minimal standards and an independent regulatory mechanism will enable broad community trust in CSO accountability.

Organisational accountability in the community services sector

This study of twelve CSOs suggests that the understanding of accountability reflects the organisations' diverse origins, initially deriving accountability from their mission and values which were often, although not exclusively connected with Christian denominations, and often shaped by influential leaders within organisations. While CSO managers espouse accountability to multiple stakeholders, the visible evidence of this varies considerably between organisations. It appears to be mediated by a range of factors, both practical (size of organisation, resource capacity) and ideological (values and beliefs of CEO and boards).

The introduction of public sector reforms including outsourcing and purchaser-provider differentiation highlighted existing tensions between understandings of accountability and approaches to its operationalisation. It made explicit both differences and existing weaknesses that previously had been worked around or ignored. Program funding areas within governments have attempted to increase

accountability, in particular accountability for results, with little apparent recognition of the existence of accountability relationships to other funders and stakeholders. Lack of coordination, particularly at the Commonwealth level, has resulted in overlapping accountability approaches including:

- expenditure reporting;

- output reporting;

- program evaluations;

- action learning (some Commonwealth programs);

- quality accreditation; and

- standards.

This comes at a cost to CSOs. A major criticism through both sets of interviews remained the requirement to manipulate basic expenditure and output data to meet the needs of multiple funders. The introduction of quality accreditation mechanisms and standards requirements has created even more overlapping requirements for documentation.

There has been an increase in community awareness of governance issues in the public, private and non-profit sectors, arising in part from corporate failures and public scandals. This has led to pressure on both non-profit and for-profit organisations to improve governance. Ongoing media scrutiny may help to ensure that existing tensions and weaknesses in accountability are addressed.

This study has reinforced the picture of disparate board capacity within the community services sector, with volunteer boards, particularly in the smaller

organisations, often lacking the knowledge or information to adequately monitor all aspects of the organisation's functioning. This suggests limited change since McDonald's (1999) more extensive study of human service organisations. The impact of public sector reforms on CSOs, together with the broader community awareness of corporate governance and failure mean that CSOs must become comfortable in taking both a community *and* business focus. As one interviewee (CSO13) put it, 'to think in a business way but not to forget what we are here for'. This requires a particular mix of skills, values and commitment within the organisation as a whole and in key staff within a CSO.

The task in managing accountability seems relatively straightforward. Behn (2003) suggested answering one succinct question: '*How* should *who* hold *whom* accountable for *what*?' Kanter and Summers (1994) recommended a process of identifying both internal and external stakeholders, identifying the dimensions of importance to them and then the strategies or mechanisms to measure their achievement. They highlighted the need to ensure that performance measures balance the interests of clients, donors, the board, professionals and managers. In practice this task requires the management of competing interests and scarce resources. Identifying areas of importance to stakeholders requires them to be both willing and able to articulate their interests and information needs. This raises the question of the role of more powerful stakeholders in protecting the interests of those who are weaker. One organisation which attempted to survey stakeholders on what should be measured found government funding departments particularly unwilling to respond to such questions (Talbot and Saj, 2003).

Narrow definitions of accountability focus attention on those stakeholders with the

power to hold to account, and on the activities needed to avoid sanctions (NCVO, 2004). This study confirms the view that a narrow definition does not fit comfortably with CSOs' histories and values. However, while the twelve CSOs in this study identified multiple stakeholders, there were different levels of responsiveness to them and different types of expressions of these accountabilities. Some CSOs were pro-active in attempting to meet accountabilities to stakeholders while others appeared to be more reactive. What dominated most interviews, however, was accountability to government funders. In some instances, participants espoused accountability to particular stakeholders but there was little evidence of mechanisms to enact it.

This study supports Ebrahim's (2003) findings for the NGO development sector that downward accountability is underdeveloped and that power asymmetries risk leaving funders to drive accountability. He also highlighted the impact of limited resources on increasing accountability to other stakeholders and implied that non-profit organisations could reduce that effect if they improved their own accountability. Ebrahim suggested social auditing, self-regulation and provision of performance information as helpful processes. As indicated earlier, self-regulation at a sectoral level has been hampered by the lack of a single representative body. While several of the larger organisations in this study had developed, or were developing performance monitoring processes, the complete evidence suggests that the cost of organisational development of accountability tools and processes is prohibitive for smaller organisations. Increasing external accountability demands (or expectations) without increasing available resources risks driving smaller organisations out of operation. Even where sufficient resources are available for improving accountability, a tension is perceived between the need to direct funds towards the achievement of the organisation's mission and the need to expend resources to demonstrate

accountability. This is consistent with the findings of an outcome measurement pilot (Baulderstone and Talbot, 2004) that showed a greater level of acceptance of outcome measurement at both organisational and worker level where the processes could be seen to support the improvement of service delivery, and could be incorporated into existing practice. Unfortunately many of the accountability measures introduced by funders are not seen to meet that condition.

In this study, organisations' approaches to accountability appeared to be influenced by:

- the size and capacity of the organisation to expend resources on developing and maintaining accountability mechanisms;

- the form of governance;

- board members' capacity and confidence, and the extent to which the board accepted a monitoring role;

- the influence of key individuals within the organisation with a particular commitment to accountability or view on how it should be expressed; and

- the existence and meaningfulness of internal reporting mechanisms.

While some larger organisations have systematically addressed broader accountability (eg Talbot and Saj, 2003), the results of this study suggest that for many CSOs, beliefs about to whom the organisation was accountable were not matched by means of expressing that accountability. Funders capacity to demand particular mechanisms for the expression of accountability leads to a dichotomy where accountability to them is formal and often seemingly overly bureaucratic, while accountability to beneficiaries and other stakeholders remains informal and

often under-developed.

It was clear in practice that CSO managers often did not know what was important to stakeholders other than government funders, where it was assumed this was reflected in the service agreement requirements. While in theory accountability could be seen as contested with tensions between stakeholders, in practice it appeared that funders, and for some organisations the auspicing church, are the stakeholders most likely to have influence.

This raises the question of whether government should play a role in protecting other stakeholders, whether it is solely the stakeholder's responsibility or whether CSOs should take a different approach. This question relates partly to Brown and Moore's (2001) argument that accountability includes facilitating stakeholders' ability to monitor. Charity legislation provides some protection for donors and potential donors, a group of stakeholders who could be expected to take a more active role in monitoring charities. However in SA in particular the predominance of individual donors rather than corporate donors and foundations appears to lead to a reactive rather than pro-active approach to accountability to donors.

Service users play a limited role in holding CSOs to account. In many service areas their capacity for exit is limited by lack of alternatives and in some cases by capacity. In areas such as child care, disability and aged care there is a clear argument for external regulation designed to protect vulnerable service users. Government addresses this through licensing and standards approaches. In other areas service users' capacity to hold CSOs to account may be limited by disadvantage, for example low literacy, lack of information and access to resources, or by urgency of need. While quality accreditation and standards have supported the development of

internal complaints mechanisms in CSOs, Preston-Shoot (2001) found that vulnerability, lack of information, and lack of visibility meant that complaints procedures remained a 'triumph of hope over experience', and Slatter and Baulderstone's (2005) study of discrimination in housing found that even where women knew of their rights of redress, this was not a priority compared with meeting their accommodation needs.

The second round of interviews with CSO managers included a discussion about the core principles of CSO accountability. There was consensus that CSOs needed to:

- demonstrate financial probity;

- provide data on outputs achieved;

- have mechanisms in place to ensure service quality; and

- ensure consumer rights.

Other suggestions with different levels of support included: provision of evidence that some attempt was being made to measure outcomes, learn from results and develop the service; making some contribution back to the sector; engaging in collaboration or cooperation with other organisations; and maintaining the quality of the organisation's management.

The increasing number and variety of forms of collaboration between CSOs raises new questions in managing their accountability. In lead agency or sub-contracting models this creates an additional stakeholder to whom the 'subordinate' organisation is accountable. The lead or contracting CSO must take on a new role of demanding or negotiating accountability from another organisation. This is likely to require new

skills of staff in the same way that the public sector was required to develop new contracting skills for outsourcing. Where CSOs work in a consortium or less formal collaboration different approaches to managing accountability will be required. However, the weaknesses identified in individual CSO's management of accountability suggest that managing accountability in any form of collaboration will be difficult.

This study has identified a number of common themes. There is evidence of a high level of interest in accountability by CSOs and funders, however there is currently a lack of coherent, coordinated responses to demands for accountability and inconsistency in funders' applications of accountability mechanisms. Tensions have been identified between the need to demonstrate accountability and performance measurement approaches, and a focus on learning and service improvement. Moves by funding departments towards greater flexibility in funding mechanisms have yet to be matched by flexibility in reporting, in fact in some program areas it appears to be becoming more rigid. There is a tension between CSOs' desire for meaningful reporting and public servants' need for reassurance that funding is achieving program objectives and for data to be aggregated for reporting at program level.

Future directions

Improving the management of accountability at both an organisational and/or sectoral level requires greater dialogue about the issues and tensions identified in this study. This needs to occur within organisations and with stakeholders at the individual CSO level. At the sectoral level dialogue is needed between CSOs and government, in both its capacity as funder of services and regulator of organisations.

Ebrahim (2003) differentiated between accountability tools and processes, where

tools are tangible and time-bound and processes emphasise a course of action rather than an end result. The results of this study indicated that the Commonwealth and SA funders' emphasis has been on tools and reporting mechanisms, and that these have been largely program-specific rather than coordinated. While funders have also undertaken processes (including program evaluations) and incorporated action-learning into some program areas, these have tended to be ad hoc and in addition to data reporting. It was not evident to CSO interviewees that the results were incorporated into funders' program planning. These weaknesses are difficult to address in a climate of change and uncertainty in public sector departments as they require coordination across program, and sometimes agency boundaries.

As indicated, accountability to other stakeholders has been largely reactive, with some proactivity from individual organisations. Few of the organisations in the study had developed *accountability systems* in line with Brown et al's (2004:7) definition of:

> Organisational arrangements for recognising, negotiating and
> responding to obligations to various stakeholders.

Such an approach is congruent with the use of balanced scorecard approaches (Kaplan and Norton, 1992) that recognise multiple constituencies and attempt to devise performance measures to inform them. The South Australian CSO (Talbot and Saj, 2003) that has adopted such an approach warrants further longitudinal study.

At an individual organisational level, it is suggested that a series of questions could help structure the dialogue that needs to precede any development of an accountability system built of appropriate tools and processes. These questions include:

1. Who are we accountable to?

What is the basis of that accountability:

   a. is there an assignment of an authority to the accountable party which involves a documented delegation to the individual, or to the position occupied by the individual or to the organisation as a whole – *delegated accountability;*

   b. is there an authority that derives from the position in the organisational structure - *structural accountability;*

   c. does the stakeholder have the capacity to impose a high practical cost on the accountable party (through acting or failing to act)– *prudential accountability;* and/or

   d. is there an agreed value base (eg organisational mission statement) which requires a response from the accountable party – *moral accountability?*

2. What is the nature of that accountability - what are we accountable for? How is the accountability expressed?

3. Is there capacity to negotiate or influence the nature of the accountability?

4. If the answer is yes, does this enable tools or processes that are useful for one stakeholder to be used for others?

5. Do the stakeholders have the capacity to appraise the information being provided to them? If not, is there capacity to educate or support them in making use of it?

6. What mechanisms are available that might fit the accountability needs of different stakeholders?

7. How is accountability information used within the organisation at different levels (executive, manager, front-line staff)? Is there capacity to use the information to enhance service delivery?

8. What priority is given to different stakeholder interests? How is this determined?

The answers to these questions would enable an initial mapping exercise for the organisations. The exercise of assigning priority to stakeholder interests is a strategic one for the organisation, and may be assisted by using Brown's three categories of stakeholders:

- those needed for legitimacy and support, eg funders, donors, media;

- those needed to create value, eg service users, local communities; and

- those needed for operational capacity, eg staff, peak bodies.

Clarkson's (1995) differentiation between 'primary' stakeholders (those essential for an organisation's survival) and 'secondary' stakeholders (those who influence the organisation or are affected by it) may also help the determination.

Actively managing accountability rather than merely responding to demands also requires clear identification of its mandatory elements. CSOs are subject to legal requirements arising from the process of incorporation, their status as employers, their status as a charity, and in some instances their funding to provide particular services (aged care, disability, child care). These legal requirements impose reporting and accounting requirements on the organisations. In developing an organisation's accountability system these elements become the 'non-negotiables'.

It is suggested that, over and above any legal requirements, as a minimum CSOs

need to:

- demonstrate financial probity (not just acquit funds);

- demonstrate their activities are consistent with both funding agreements/contracts and their organisation's mission or purpose (activities are both appropriate and effective in achieving outcomes);

- ensure that all services provided are of an appropriate quality (not just those in programs with standards/accreditation requirements); and

- ensure the rights of their service users are protected.

There is no 'one right way' to achieve these objectives, particularly given the diversity of organisational characteristics and mission. The use of quality approaches can provide assurance that systems or mechanisms are in place, but without ongoing monitoring there is no guarantee that they are actually followed. Output measures, performance indicators, and outcome measurement are all at risk of goal displacement. Instead accountability to all stakeholders is most likely to be achieved through a mixture of good governance, self-regulation, external regulation, quality assessment, and outcome measurement whether ongoing or ad-hoc. The 'right' mix will depend on the nature of the organisation's work as well as on its capacity. Engaging stakeholders in dialogue about the most appropriate forms for accountability mechanisms in itself strengthens the organisation's accountability by developing a sense of mutual accountability.

It is clearly the responsibility of the organisation's board to ensure these accountability requirements are met. However, this study supports earlier work that questions the capacity of all community sector boards to undertake this function. Government funding programs appear to recognise this indirectly through

introducing requirements such as standards and accreditation. The interviews indicated that some funding department staff saw their role as more than ensuring accountability for government funding, attempting to ensure accountability to service users. This raises the question of the appropriate role of government in regulation. There is clearly a case for external requirements to ensure the safety of the most vulnerable service users, including children, the aged and some people with a disability. However, independent development of accountability approaches by government program areas has led to unnecessary duplication of effort without demonstrating an overall increase in accountability.

In the early days of public sector reform governments denied any intention of reducing the size of the community services sector by forcing smaller organisations out. This study, however, has found evidence of small organisations merging and seeking capacity support from larger organisations. There appears to be a critical mass needed for an organisation to have the resources to manage financial and reporting requirements. The introduction of quality frameworks will add to that pressure, and there is a risk that an organisation's capacity to move from a small group of volunteers to a funded agency will be lost. If government truly wishes to maintain a diverse community sector it will need to support capacity building either directly or indirectly. This study has suggested that there is an ad-hoc approach to the role of public sector staff in CSO capacity-building, often influenced by individual perceptions and skills. The introduction of an independent regulator with a role in sector development and agency capacity building is more likely both to be accepted by the sector and to lead to more equitable support. A single regulatory body would also facilitate the operation of the larger church-affiliated services, most of which participate in some form of network or alliance with their interstate equivalents. This

may increase the likelihood of their ongoing dominance of the sector.

A dual approach to the management of CSO accountability to government funders is suggested, with the accountability framework encompassing both formal specified requirements and elements of negotiated mutual accountability. A minimum set of requirements is proposed for programs funded by government:

- a common set of accounts (needs introduction of common accounting standards for the non-profit sector);

- a minimum set of output data; and

- a 'matching' of input (funds) and outputs by agency program rather than funding department program.

These requirements fit within the more distanced purchaser-provider relationship, and elements that would perhaps better fit a mutual accountability approach should be added, including:

- the involvement of both funders and providers in learning processes to improve achievement of outcomes. There is a need to test the validity of performance measures and indicators used by public sector funders and within organisations. This could be achieved through using longitudinal studies to identify outcomes at individual and societal levels and to compare these with the results of the use of indicators; and

- negotiated additional elements based on an assessment of the existing CSO accountability system.

This latter proposal recognises and draws on CSOs' multiple accountabilities. It rejects what Ebrahim (2005) described as the 'myopic view' that more accountability is better accountability. It accepts that overlapping accountabilities to different

stakeholders *can* create a strong web holding the organisation to account. As Sinclair (1995:219) argued:

> Accountability will be enhanced by recognising the multiple ways in which accountability is experienced, rather than by attempting to override this chameleon quality.

However, this requires that accountability to different stakeholders be actioned rather than remaining rhetoric, and that the different stakeholders' capacities to understand accountability information and to take action if there are failures be recognised. Government will remain the most powerful constituency for most CSOs, due to resource dependence, and it may be tempting to allow government demands to 'take over' the question of managing accountability.

The use of a minimal set of reports plus learning processes as a way of coping with diversity would also need to recognise the different programs and different risks, and to take into account the impact of each CSO's size. This is consistent with the approach to regulation influenced by risk applied to private sector organisations, but it requires a recognition that a relationship without mutual trust will not be sufficiently robust to support evaluative research (Barritt, 1993) that allows for experimentation and leads to learning. There is also a parallel need to rationalise and reduce duplication in accountability demands from program areas.

The impact of collaborative activity on accountability and the extent to which it creates a 'new' accountability relationship will depend on the nature of the relationship. As Behn (2003) noted, an implicit 'carrot-and-stick' theory of human motivation underpins many accountability theories and practices. Such an attitude is unlikely to fit well within a partnership where trust is an important component of

success, or within a framework of joint learning from performance measurement and evaluation. A number of the CSOs in this study questioned whether partnership could ever be a realistic description of the relationship between CSOs and government funders. Power imbalances and the need for the public sector to demonstrate accountability upward to ministers reinforce principal-agent approaches to accountability. The movement towards more horizontal governance frameworks requires governments to manage collaboration with the sector also, and highlights a tension between the 'control' relationship of third party service provision and the collaborative relationship implicit in a governance 'contract' (Phillips and Levasseur, 2004). While it is unrealistic to expect that this tension can be resolved, acknowledgement of its existence and dialogue about its impact is needed to support the exploration of alternate funding models. The increasing use of collaborative structures for the provision of community services creates a need for further research into appropriate mechanisms for managing accountability in such relationships.

The emerging practice in Commonwealth funding for contracting a CSO to manage the design and delivery of services in a particular geographic area through subcontracting other agencies raises interesting questions about accountability. While this approach recognises the value of locally-based responses and engagement with local communities, it also appears to involve a transfer of responsibility from the public sector to the community sector. These arrangements have not been in place long enough to evaluate their effectiveness or impact on the wider sector but need to be monitored in the future.

Conclusion

The motivation for this research was the observation of CSO struggles with the management of accountability within a complex and changing relationship with government. That relationship changed further during the course of the research and is likely to continue to change. It is important that we do not, as Hayllar (2000 citing Wolf, 2000:20) warned, 'reinvent specific accountability institutions as we reinvent government'. This study illustrates the development of accountability mechanisms through a period of government reform. In the context of new forms of governance incorporating networks and alliances, CSOs' experiences may provide broader lessons in the management of accountability (Taylor, 1996).

This study has found that CSO managers use broad definitions in their own conceptualisation of CSO accountability. No single model of accountability was adequate to explain CSO accountability, but each contributed useful perspectives for different purposes, including:

- identifying accountability relationships;

- planning and developing accountability mechanisms;

- negotiating accountability requests with funders; and

- increasing understanding of accountability within CSOs.

Not surprisingly, there was no single all-encompassing answer to the question of how best to manage accountability. This study has shown that funder influence dominates CSO approaches to operationalising accountability. This domination was mediated to some extent by the size of organisation, its access to other resources, and its capacity for political influence. This suggests that situation-specific frameworks or models of

managing accountability are more likely to be of practical use within the sector.

It was also no surprise to find that the public sector reforms through the era of New Public Management have significantly influenced CSO responses to accountability. There are indications of a change in relationship with government but this has paradoxical aspects (Talbot, 2005). At the State level, there appears to be a move to greater flexibility in funding modes while simultaneously introducing more rigidity/conformity in accountability, and a concurrent objective of increasing performance and effectiveness, but limited evidence of this being achieved, partly due to the difficulty in identifying performance and outcome measures. At the Commonwealth level, there is evidence of experimentation with new ways of funding community services and of contracting with CSOs. It is important that some systematic analysis is undertaken of the impact of these approaches on accountability and service delivery effectiveness and outcomes.

Weaknesses in demonstrating accountability to stakeholders other than government funders result both from different levels of governance capacity and resource limitations. This study has confirmed concerns about board capacity to manage accountability in smaller organisations, which struggle with externally imposed accountability requirements because of resource and skill requirements. This has implications for their viability. If government wishes a diverse community services sector to continue, the need for capacity building must be addressed.

Government will continue to play a major role in CSO accountability through its funding role and its response to increasingly louder calls for some form of regulation. The need for funding departments to explore different approaches to accountability is supported by governments' increasing use of the language of partnership, and by the

evidence of limitations of current accountability mechanisms to cope with diversity in models of service delivery developed in response to complexity of need. New funding mechanisms, such as those used by the Commonwealth in the 'Stronger Families and Communities' program create an opportunity to test alternative mechanisms. At the same time, externally-imposed accountability mechanisms must take into account the context in which CSOs function.

The ultimate responsibility for the management of accountability in CSOs remains with the elected board or committee of management. This study has proposed a structured approach to their management of accountability rather than the reactive approach evident in many of the organisations included in this study. Such an approach requires a commitment of board member time and energy as well as use of agency resources. It is unlikely that some organisations, particularly smaller ones, will be able to achieve this without external support.

Rather than needing more accountability, this study has identified the need for better management of existing accountability mechanisms and matching mechanisms with risk.

APPENDIX 1   LETTER OF INTRODUCTION

FLINDERS UNIVERSITY
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Faculty of Social Sciences

GPO Box 2100
Adelaide 5001 Australia

Telephone: (+61 8) 8201 3973
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Dear Sir/Madam,

I hold the position of Lecturer B in the Flinders Institute of Public Policy and Management at Flinders University.

I am undertaking research leading to the production of a thesis or other publications on the subject of the accountability relationships between non profit human services organisations and funding agencies.

I would be most grateful if you would volunteer to spare the time to assist in this project, by. granting an interview which touches upon certain aspects of this topic. No more than 1 hour on one occasion would be required.

Be assured that any information provided will be treated in the strictest confidence and none of the participants will be individually identifiable in the resulting thesis or other publications. You are, of course, entirely free to discontinue your participation at any time or to decline to answer particular questions.

Since I intend to make a tape recording of the interview, I will seek your consent, on the attached form, to record the interview, to use the recording or a transcription in preparing the thesis, report or other publications, on condition that your name or identity is not revealed, and that the recording will not be made available to any other person. It may be necessary to make the recording available to secretarial assistants for transcription, in which case you may be assured that such persons will be advised of the requirement that your name or identity not be revealed and that the confidentiality of the material is respected and maintained.

Any enquiries you may have concerning this project should be directed to me at the address given above or by telephone on 08 8201 2878, fax 08 8201 2273 or e-mail jo.baulderstone@flinders.edu.au

This research project has been approved by the Flinders University Social and Behavioural Research Ethics Committee. The Secretary of this Committee can be contacted on 8201-3513, fax 8201-3756, e-mail Lesley.Wyndram@flinders.edu.au.

Thank you for your attention and assistance.

Yours sincerely,

Jo Baulderstone
Director of Studies
Graduate Program in Public Policy and Management
Flinders Institute of Public Policy and Management

APPENDIX 2   CONSENT FORM FOR INTERVIEW

I ....

being over the age of 18 years hereby consent to participate as requested in the interview about accountability for the research project on models of accountability in NonProfit Organisations.

1. I have read the information provided.

2. Details of procedures and any risks have been explained to my satisfaction.

3. I agree to my information and participation being recorded on tape.

4. I am aware that I should retain a copy of the Information Sheet and Consent Form for future reference.

5. I understand that:

   - I may not directly benefit from taking part in this research.

   - I am free to withdraw from the project at any time and am free to decline to answer particular questions.

   - While the information gained in this study will be published as explained, I will not be identified, and individual information will remain confidential.

   - I may ask that the recording/observation be stopped at any time, and that I may withdraw at any time from the session or the research without disadvantage.

6. I have had the opportunity to discuss taking part in this research with a family member or friend.

Participant's signature……………………………………Date…………………...

I certify that I have explained the study to the volunteer and consider that she/he understands what is involved and freely consents to participation.

Researcher's signature…………………………………..Date………………………

APPENDIX 3   INTERVIEW FRAMEWORKS – FIRST SERIES

1. Organisation characteristics – role, size, auspice.

2. With whom does the organisation have an accountability relationship? What are you accountable for?

3. What does accountability mean in the organisation? How would you think other parties would understand accountability? What influences those different views?

4. How is accountability expressed?

5. How would you describe the relationship with funders? Have there been changes to the relationship with funders over the past 5 years. If so, what changes have occurred and why?

6. How has this affected accountability relationships?

7. What would be an 'ideal system' with respect to accountability?

8. Who else should I speak to in this organisation? Other organisations?

LIST OF INTERVIEW TOPICS - Funders
1. Organisations/Programs funded.

2. How do you see the accountability relationship with funded organisations? What are they accountable for?

3. Do you see funded organisations having other accountability relationships? What are they accountable for?

4. How do you think organisations see their accountability relationship with funder?

5. What influences organisations' understanding of accountability?

6. How is accountability expressed?

7. Have there been changes to the relationship with organisations over the past 5 years. If so, what has caused the changes, what have they been?

8. How has this affected accountability relationships?

9. What would be an 'ideal system' with respect to accountability?

10. Who else should I speak to in this organisation? Other organisations?

LIST OF INTERVIEW TOPICS - Peaks

1. Organisation characteristics - role, size, auspice.

2. With whom does the organisation have an accountability relationship? What are they accountable for?

3. What does accountability mean in that organisation? How would they think other parties would understand accountability? What influences different views?

4. How is accountability expressed?

5. How would they describe the relationship with funders? Have there been changes to the relationship with funders over the past 5 years. If so, what has caused the change, what have they been?

6. How has this affected accountability relationships?

7. What would be an 'ideal system' with respect to accountability?

8. Who else should I speak to in this organisation? Other organisations?

APPENDIX 4   SUMMARY PROVIDED PRIOR TO SECOND INTERVIEWS

Managing Accountability in Community Service Organisations

Accountability is an important and contested concept. There has been an increased focus on accountability in Community Service Organisations (CSOs) since the 1990s, with drivers including provision of services on behalf of government in a climate where governments were being challenged about their accountability, increased professionalism in the community services sector and awareness of user rights, failures of accountability in a number of private sector and non profit organisations, increased engagement of non profit organisations in for profit activities

As well as challenging traditional roles, activities and accountability within the public sector, public sector reforms have had a significant impact on CSOs through the contracting out of services previously provided by government and through changing the basis of the funding of services previously provided by CSOs to a more contract-like arrangement. More recently governments have begun using the language of partnership and integration. These changes influence the relationship between government and the sector and public servants and individual agencies and each of these conceptual shifts has implications for managing accountability in CSOs. The experience of non profit organisations in managing accountability may have lessons for partnerships and/or new forms of governance involving public and private sectors. The current Prime Minister has encouraged the development of community-business partnerships and some CSOs have formed temporary or permanent partnerships with other CSOs.

Accountability can be considered through a narrow construction – a requirement that there be two parties, one with the authority to delegate authority, demand explanations and impose sanctions. There are also broad constructions which include stakeholders who do not meet the criteria of the narrow definition but who have a legitimate interest in an organisation's activity. Broader accountability is recognised in stakeholder theory applied to private sector organisations and in some but not all writing about public sector accountability.

A wide range of potential (mostly negative) impacts on CSOs resulting from a more contractual relationship with government were identified in both the academic and practitioner literature. The extent of such changes, with a particular emphasis on the impact on accountability, were explored in the first part of this study. Interviews were conducted in 2000/2001 with senior managers of CSOs and with staff in State and Commonwealth funding agencies.

These interviews showed that the CSO managers defined accountability broadly but not consistently. While all identified accountability relationships with their board (or equivalent), their clients and government funders, some also identified accountability to one of more of staff, volunteers, values, donors, the Church, community and other agencies. The emphasis placed on these was influenced by the organisation's history, the values of the organisation and the individual manager, and the capacity of the organisation. The basis of accountability varied between the different stakeholder relationships, with legal, moral and prudential values providing the rationale in different combinations. Recognition of a wider stakeholder group did not appear to have weakened accountability to government funders, but to have coincided with the development of additional mechanisms for accountability to other stakeholders.

Public sector staff took a narrower view of accountability, not surprisingly focussing on accountability to government and to a lesser extent internal board accountability. Some did identify other stakeholders to whom CSOs would be accountable but this was seen more as an additional than an overlapping area of accountability.

CSO managers and public sector staff almost all identified changes to their relationship resulting from the adoption of more contract-like models of funding, largely but not exclusively negative. The impact on CSOs was mediated to some extent by the individual relationships with public sector staff. Areas within CSOs which were perceived to have been affected were:

- Role and activity – including a more narrow scope of services provided, reduced time available for service delivery because of reporting requirements, reduced input to planning, reduced responsiveness to service user needs.

- Agency culture – tensions about direction of accountability, increased profile of accountability, outcomes and measurement.

- Relationships with other CSOs – less cooperation between agencies, greater difficulty in working across systems/agencies because of tighter prescription of services by funders.

Changes to the relationship with government were seen to have been cyclical, moving from a close possibly overly cosy relationship under grant funded models, to a more distant and negative relationship in initial phases of public sector change which did have greater transparency, and more recently moving back towards more individually negotiated relationships.

The academic literature is beginning to address the need for different models of accountability in the context of partnership relationships. Characteristics of such

models include:

- Mutual respect, trust, transparency and influence and mutual agreement on desired outcomes

- Negotiated accountability at the beginning of the relationship which is reviewed in the light of experiences

- Performance expectations which are balanced with capacity

- Reporting which is focussed on improved performance rather than compliance

At the same time the need for external regulation of non profit agencies more broadly has been raised through a number of avenues. It is thus timely to consider possible models for accountability in an era of partnership.

APPENDIX 5   INTERVIEW FRAMEWORK – SECOND SERIES

Do you have any questions or comments about the summary paper forwarded prior to this interview?

What changes would you identify that have occurred since the previous interview:

- In your agency's /CSOs management of accountability?

- In the relationship between CSOs and government?

One of the main criticisms raised by CSOs in the 2000/2001 interviews was the overlapping demands of government funders, internal accountability requirements and other external accountability requirements (eg to donors, other partnerships). Has this changed in any way? What would be the critical elements of an integrated accountability system? Would there be a role for independent regulation or monitoring?

(For CSOs) To what extent has your agency's formation of partnerships/coalition been driven by the changes in government funding? How has it impacted accountability?

We are increasingly hearing governments speak about partnership with the sector. What might be an appropriate framework for accountability in the context of a partnership relationship with government? What would be the barriers to such a framework? What additional requirements would you identify? How would this fit with partnerships with business and with other CSOs.

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