

**AN INVESTIGATION INTO THE IMPACT
OF THE RESOURCE MANAGEMENT ACT 1991
ON THE PROVISION OF INFORMATION
BY REGIONAL COUNCILS
IN ANNUAL PLANS AND ANNUAL REPORTS**

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Abstract

Prior to the Resource Management Act 1991 (RMA) New Zealand's environmental law was managed via a plethora of overlapping, confusing, and conflicting legislation (Resource Management Bill (RMB), i). The purpose of the RMA is to promote the sustainable management of New Zealand's natural and physical resources. It imposes a duty on every person to ensure that this is achieved.

Regional councils play a pivotal role in promoting sustainable management because they are responsible for establishing, implementing, and reviewing objectives, policies and methods to achieve integrated management of natural and physical resources in their regions. They must prepare a regional policy statement and a coastal policy statement, and where necessary regional plans. In addition, they have certain other duties under the RMA: to consider alternatives, benefits, and costs (section 32); and to gather information, monitor, and keep records (section 35). However, the RMA does not clearly outline how regional councils should provide information to the public about progress made towards objectives as outlined in regional plans and policy statements and their other duties. It is important for the regional council to be accountable to the public for their progress made towards objectives and their duties since, as ratepayers, the public are financial contributors.¹

This study investigates how regional councils are currently providing information to the public about progress made towards objectives and their other duties as required under the RMA. This study also investigates whether the annual plans and annual reports (as required under the Local Government Act 1974 (LGA)) are the appropriate vehicles for disclosing this information. The research is conducted through a survey sent to accountants who coordinate and/or prepare annual plans and annual reports in regional councils (or councils with regional responsibilities) who prepare annual plans and annual reports. Follow-up interviews were held with two accountants at these regional councils. The research has found that the RMA has currently had little impact on the provision of information by regional councils in annual plans and annual reports. However, the impact may be greater in the future.

¹ This concept is similar to the accountability provided by public companies to their shareholders through regular reporting.

1. Introduction

“ . . . accountability problems will beset local authority decision making in the absence of adequate sanctions and incentives. . . . The generally weaker nature of political accountability at the regional level tends to exacerbate this problem ”. New Zealand Business Roundtable (1990, 24)

This submission was made at the time the RMA was being drafted, and expresses significant concern over accountability at the regional level. This study examines one aspect of this accountability by investigating the following research problem:

an investigation of the impact of the RMA on the provision of information by regional councils in annual plans and annual reports.

An exploration is conducted using a literature review, concentrating on three research questions, namely:

- How does the public know the extent to which a regional council has made progress towards objectives as outlined in regional plans and policy statements and the other duties of regional councils (in sections 32 and 35 of the RMA)?
- Are annual plans and annual reports the appropriate vehicles for disclosing a regional council’s progress made towards objectives as outlined in regional plans and policy statements and the other duties of regional councils (in sections 32 and 35 of the RMA)?
- What form or forms of disclosure are appropriate for disclosing this information?

In making this investigation, the:

- responsibilities for regional councils under the RMA and the LGA are presented;
- links between these Acts are proposed;
- possible forms of disclosure are outlined;
- research method is outlined.

Finally, the results and limitations of this research are presented, and some opportunities for further research are outlined. The study is presented in chapters as outlined below.

Chapter 2 examines the development of the RMA. The chapter briefly outlines a global concern for the environment, the global response, and New Zealand’s response. New Zealand responded by introducing the RMA, which replaced a plethora of legislation which

had been confusing, overlapping and conflicting (RMB, 1989 i). The purpose of the RMA is to promote sustainable management of natural and physical resources in New Zealand and it imposes a duty on every person to ensure that this is achieved. Regional councils play a pivotal role in achieving sustainable management by producing regional policy statements and regional plans. These documents provide an overview of the resource management issues in regions. Regional councils have other duties to ensure that these requirements are carried out and adopted. This chapter also outlines how a regional council may currently choose to disclose information in relation to progress made towards objectives (as outlined in regional plans and policy statements) and their other duties under the RMA.²

A regional council also has responsibilities under the LGA to disclose information in an annual plan and an annual report. Links are established between the RMA and the LGA. Chapter 3 investigates whether the annual plans and annual reports are the appropriate vehicles to disclose both their duties, and progress made towards objectives (as outlined in regional plans and policy statements). The chapter identifies a lack of clarity between the Acts, and suggests that there should be amendments to the legislation.

Chapter 4 outlines possible forms of disclosure that could be used to disclose information in annual plans and annual reports about the regional council's duties and progress made towards objectives (as outlined in the regional plans and policy statements). The forms of disclosure include numerical data, written information, pictorial reports and statements of services performance. The chapter also discusses the compliance costs associated with the provision of this information and some positive implications of allowing public access to this information.

Chapter 5 examines scientific methodology to determine the appropriate research method for investigating issues raised in the literature review. This examination establishes that it is appropriate to combine two research methods — a mail survey (of the entire population) and two personal interviews. The interviews should be conducted at the regional council and will allow the researcher to probe for a deeper understanding of the issues. This chapter also outlines why this method is suitable for investigating the research problems and questions, how the results were gathered, and how the results are analysed.

² These duties are to consider alternatives, benefits, and costs (section 32); and to gather information, monitor, and keep records (section 35).

Chapter 6 outlines the results of the mail surveys and the interviews. These results are related back to the issues raised in the literature review. Finally, chapter 7 concludes the study and outlines the research limitations and any issues raised for further research.

2. The Development of the Resource Management Act 1991 and the Requirements for Regional Councils to Prepare Plans and Policy Statements

“An adjustment or even a fundamental reshaping of decision making . . . may be necessary if environment and development is to be put at the centre of economic and political decision making, in effect achieving a full integration of these factors.”
Agenda 21.³

A. Introduction

The RMA⁴ was enacted on 1 October 1991 in New Zealand and its general purpose is the promotion of sustainable management of natural and physical resources. To promote sustainable management, regional councils:

“ . . . have a guiding role in the preparation of regional policy statements and plans.”
(Palmer, 1993, 564).

The purpose of this chapter is to outline the general requirements of the RMA and the conditions and events which led to its enactment. This includes a discussion of growth in concern for the Earth’s environment, and recent global moves to encourage effective management of the Earth’s resources. In particular, the general requirements for regional councils under the RMA will be examined, as a basis for investigating the impact that the RMA may have on the provision of information in annual plans and annual reports.

³ Quoted from the Ministry for the Environment (1993c, 7).

⁴ Unless otherwise stated in this chapter all references to legislative sections relate to the RMA.

B. Environmental concern

1. Global concern for the environment

Adams (1990) considers a few facts about the world in which we live: carbon dioxide in the atmosphere has increased by 25% since 1958; the output of greenhouse gases is set to double over the next 40 years; and one quarter of the world's land is at risk from erosion or desertification. It is the documentation of, and publicity surrounding, facts like these that emphasise the Earth's environmental problems.

There has been increasing global concern for the environment (Smith, 1993 and Roberts, 1991), particularly over the last 30 years (Hoffman, 1991 and Gray, 1990b). This concern will be reviewed in terms of the global and local responses leading to the introduction of the RMA in New Zealand.

2. Global response to environmental concern

Economists and ecologists have had a long-standing division of opinion.⁵ While ecologists argue for the interests of nature, economists push for prosperity at the expense of the environment (Ulhoi, 1993). However, in the words of Van Engelshoven (1991, 17):

“[p]icture, a scale. At one end is the global environment; at the other the global economy. In the past, the two ends may not have been in balance. Our aim now, through sustainable development, is to seek balance through which we can ensure that the environment and the economy can both be supported. It is up to society to find and maintain that balance.”

It is conceivable that the key to a solution for environmental problems lies with the introduction of sustainable development. Gro Brundtland⁶ argues both economic and ecological factors need to be taken into account so that global sustainable development can be achieved. For the successful introduction of sustainable development a business needs to hold a new set of assumptions and beliefs to guide development towards sustainability (Davis, 1991).

⁵ Tension between protecting the environment and economic growth was discussed in “The Pearce Report” (Gray, 1990a).

⁶ This is outlined in Tisdell (1991). Gro Brundtland was the chairperson of the United Nations Commission on Environment and Development.

“The earliest understandings and applications of the principle of sustainability are lost in time. . .” (Bebbington, Gray, and Thomson., 1994, 6). When the 1972 United Nations Conference on the Human Environment⁷ was held, the importance of sustainable development was recognised (Tisdell, 1991). The next “quantum leap” in the sustainability debate, as hailed by Bebbington, et al. (1994), was the assembly of the United Nations World Commission on Environment and Development. The conference resulted in the publication of “Our Common Future”⁸ (Bebbington, et al., 1994), which defined sustainable development⁹ as:

“... development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (World Commission on Environment and Development, 1987, 8).

The World Commission on Environment and Development (1987) represented the views of experts, whereas the views of governments and society were expressed in the 1992 Earth Summit conference in Rio de Janeiro (Bebbington, et al., 1994). At that conference, “Agenda 21” was developed as a plan for achieving sustainable development in the 21st century (Bebbington, et al., 1994). Discussions regarding environmental and developmental problems resulted in the negotiation of both legally and non-legally binding conventions between the representatives of 180 countries (Ministry for the Environment, 1993c).

Ulhoi (1993, 441) states that the 1990s mark:

“... an increasing recognition [of the environment] among policymakers, academia, and corporate executives that fundamental changes are needed if the human species are to succeed in transforming the concept of sustainable development from a theoretical construct into practice.”

This recognition of sustainable development demonstrates a global commitment to the concept and the need for an applied response in New Zealand.

⁷ Also known as the Stockholm Conference.

⁸ Also known as the Brundtland Report — so named after the chairperson, Mr Gro Brundtland.

⁹ The concept of sustainable development is not easy to define. Gray, et al. (1993) outline some difficulties for defining “sustainability”. Furthermore, Ulhoi (1993:448) notes that there are different shades of meaning for “sustainable development” and that there have been countless interpretations of the principle. Tisdell (1991) and Pearce, Markandya, and Barbier (1989) discuss sustainable development in great detail. Furthermore, the Ministry for the Environment (1993b, 3) states “[s]ustainability requires finding appropriate levels of resource use, a process expressed as identifying ‘bottom lines’ ”.

3. New Zealand's response to the environmental concern

New Zealand has responded to the global environmental crisis in many ways,¹⁰ and made a significant effort to introduce the concept of sustainability,¹¹ as James (1992, 45) states:

“[w]hile other countries were debating at the Earth Summit in June on how to ensure sustainability on the planet, New Zealand was already working out laws that enshrine that concept.”

The concept was introduced with the enactment of the RMA and was complemented by the reforms of local government¹² as Arnoux, Dawson, and O'Connor (1993, 1068) illustrate:

“[s]ince 1984, most of the government bodies responsible for New Zealand's environmental and natural resource management have been replaced or reformed, or their functions radically redefined. Simultaneously, there has been a restructuring of local and regional government and a comprehensive review¹³ of the legislation covering all aspects of planning and resource use.”

Prior to the introduction of the RMA, New Zealand's environment was managed via a plethora of law¹⁴ which often provided confusing, overlapping and conflicting information for users (RMB, 1989). This was reflected in too many agencies being involved in resource management, with overlapping responsibilities and insufficient accountability (RMB, 1989, i). The RMA was introduced and it transformed the legislation by repealing over 60 Acts and amending over 150 others (Milne, 1992). The RMA touched virtually all aspects of land, air, wetland, and water use (Arnoux et al., 1993, 1068). The outcome of the process has been described as a *world first* by environmental officials (Arnoux, 1993).

¹⁰ For example, the introduction of “environmentally friendly” products in supermarkets.

¹¹ For background information on conceptual and practical dimensions of the objectives of sustainability, and its implementation, refer to the Ministry for the Environment (1988) and the Ministry for the Environment (1989).

¹² New Zealand Business Roundtable (1990) commented that the role of regional councils was redefined in the RMB. The RMB is: “. . . complemented by reforms in local government which provide for greater efficiency, accountability, and separation of conflicting functions.” (RMB, 1989, p. ii). For detail of the reforms which relate to issues in this study, refer to chapter 3.

¹³ This “comprehensive review” relates to the RMA.

¹⁴ For details about the resource management law reform see Palmer (1993), which examines how resources were managed in New Zealand since the Town and Country Planning Act 1977 (which was first enacted in 1929).

The purpose of the RMA is to promote sustainable management¹⁵ of natural and physical resources. Section 5 of the RMA defines sustainable management as:

“... managing the use, development, and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic, and cultural well being and for their health and safety while—

- (a) Sustaining the potential of natural and physical resources (excluding minerals) to meet the reasonably foreseeable needs of future generations; and
- (b) Safeguarding the life-supporting capacity of air, water, soil, and ecosystems; and
- (c) Avoiding, remedying, or mitigating any adverse effects of activities on the environment.”

To achieve the purpose of the RMA all persons should take into account the Treaty of Waitangi¹⁶, and the RMA imposes a duty on every person:¹⁷

“... to avoid, remedy, or mitigate any adverse effect on the environment arising from an activity carried on by or on behalf of that person, whether or not the activity is in accordance with a rule in a plan, a resource consent . . .”¹⁸

The RMA applies to every person, however as this study focuses on the role of regional councils an examination of the general and specific responsibilities of regional councils under the Act is presented.

C. The responsibilities of regional councils under the Resource Management Act 1991

1. General responsibilities

In resource management administration, regional councils play a pivotal role (Department of Statistics, 1992 and Ministry for the Environment (1993b)).¹⁹ This role

¹⁵ Please note that the RMA aims to promote *sustainable management*, not sustainable development. Therefore this study's focus is on sustainable management. However, the terms “sustainability”, “sustainable management” and “sustainable development” are referred to throughout this study, as per the literature referenced. Bebbington, et al. (1994) note that business literature has interpreted and understood “sustainability” in a variety of ways. However, the subtle differences in the definitions will not be outlined in this study, except to describe sustainable development as a “backdrop” for “sustainable management” (Ministry for the Environment, 1993a). If further information is required, Weastell (1994) examines the difference between sustainable management and sustainable development.

¹⁶ s 8.

¹⁷ s 17. Furthermore, “person” is defined in section 2 as “...the Crown, a corporation sole, and also a body of persons, whether corporate or unincorporate”.

arises because, under the RMA, a regional council is responsible for publishing documents (regional plans and policy statements) which must not be inconsistent²⁰ with national²¹ policy statements. Furthermore, district councils rely on regional councils because district plans should not be inconsistent with regional plans and policy statements.²²

For the purpose of giving effect to the RMA, a regional council's functions include the "... establishment, implementation, and review of objectives, policies, and methods to achieve integrated management of the natural and physical resources of the region."²³ Further functions arise, giving the regional council control of the use, development or protection of land for the purposes of;

- soil conservation,
- maintenance of water quality and quantity,
- avoiding or mitigating natural hazards, and
- preventing or mitigating any effects of the storage, use, disposal, or transportation of hazardous substances.²⁴

The regional council also has control in respect of any coastal marine area (together with the Minister of Conservation).²⁵

Regional councils have an obligation to complete certain policy statements and plans, namely regional policy statements, regional coastal plans and regional plans. Regional policy statements and the regional coastal plans are mandatory,²⁶ while regional plans are optional. However, once operative, the policy statement and each of its regional plans must have a full review within 10 years.²⁷ The formation of policy statements and plans is a political process and must be prepared in accordance with the First Schedule to the RMA, which involves public notice, consultations, submissions and hearings.²⁸ The

¹⁹ For a detailed New Zealand history of regional planning see Palmer (1993).

²⁰ As per ss 62(2) and 67(2).

²¹ The Minister for the Environment is principally responsible for monitoring and making recommendations on the issue of optional National Policy Statements (s 24). The Department of Conservation has the function of preparing and making recommendations on the Compulsory New Zealand Coastal Policy Statement (s 28). Furthermore, the Minister of the Crown has the power to delegate certain functions, powers or duties under the RMA (s 29).

²² s 75(2).

²³ s 30(1)(a).

²⁴ s 30(1).

²⁵ s 30(2).

²⁶ s 60(1) and s 64(1).

²⁷ s 79(1).

²⁸ A regional council has other powers and duties detailed in Part V of the RMA. This includes an ability to transfer certain powers to another public authority, delegate certain functions, powers, and duties to any committee of the regional council, and a power to levy administrative charges, waive or extend time limits, and appoint enforcement officers (details of these powers and duties appear in sections 33, 34, 36, 37, and 38 of the RMA).

regional council may review policy statements and plans, and local authorities may combine to prepare plans and policy statements.²⁹

The relationship between policy statements and plans required under the RMA is summarised in Figure 2 - 1.

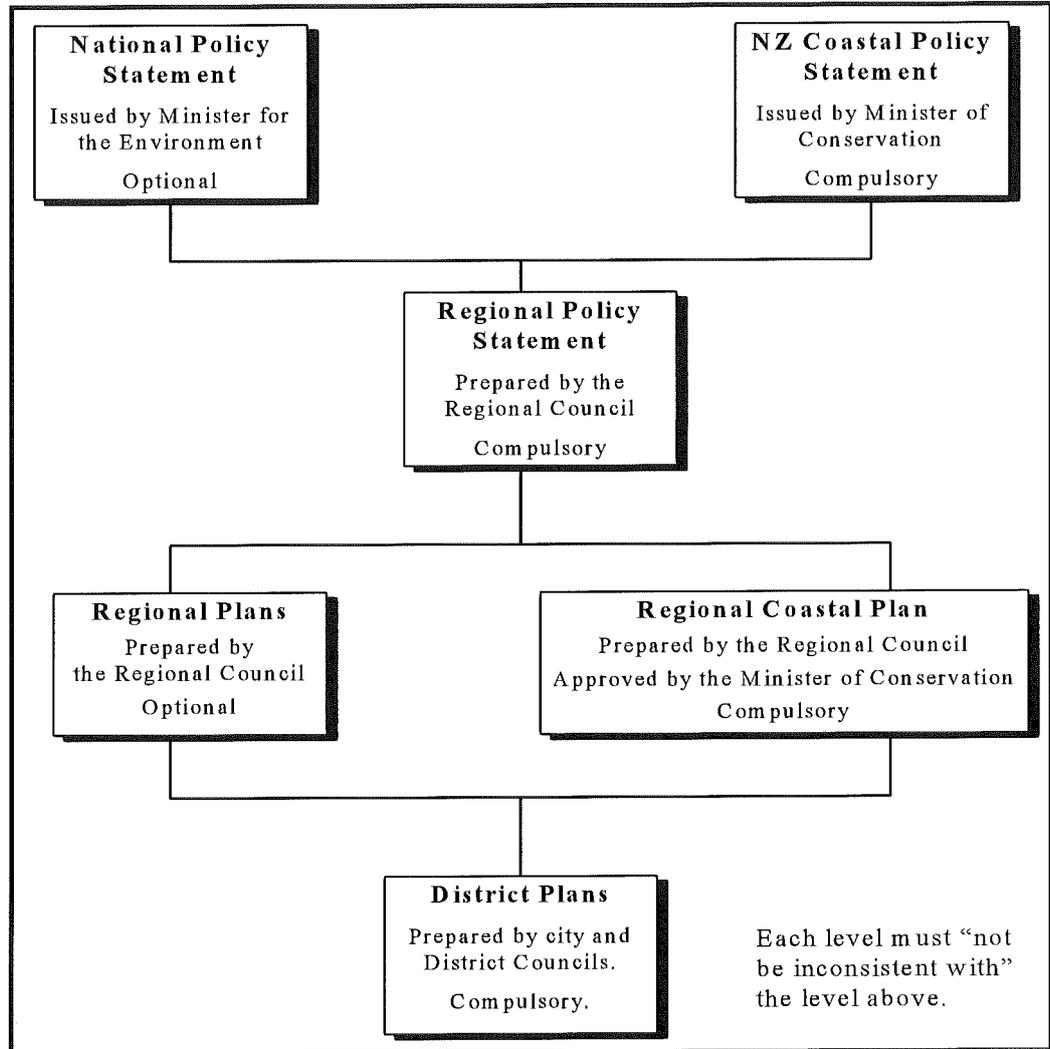


Figure 2 - 1: Relationship between policy statements and plans (as per the Canterbury Regional Council Proposed Regional Policy Statement, 1993, 2).³⁰

Figure 2 - 1 notes that “each level must not be inconsistent with the level above”, therefore the district plan cannot be inconsistent with all levels above (that is, matters of both regional and national significance). The responsibilities of regional councils to prepare regional policy statements, regional plans and regional rules are detailed below.

²⁹ ss 79, 80.

³⁰ Examples are used throughout this study for illustrative purposes. However, to be consistent, all examples are cited from documents of the Canterbury Regional Council.

a. Regional policy statements

The purpose of a regional policy statement is to provide an overview of the resource management issues of the region, and policies and methods to achieve integrated management of the region's natural and physical resources.³¹ The preparation (and any changes to) the regional policy statement should follow the procedures in the First Schedule³² to the RMA.

The regional policy statement should provide for matters set out in the Second Schedule³³ to the RMA which are of regional significance and appropriate to the circumstances of the region. This statement must also state significant resource management issues for the region and iwi authorities.³⁴ The regional policy statement should identify:

- objectives to be achieved;
- policies, methods of implementing policies;
- reasons for adopting the proposals;
- environmental results anticipated;
- processes to resolve cross-boundary issues between local authorities;
- the areas in the region that the regional council is responsible for in terms of developing objectives, policies, and rules for:
 1. controlling land use;
 2. avoiding or mitigating natural hazards; and
 3. preventing or mitigating the effects of hazardous substances;
- review and monitoring procedures; and
- any other relevant information.³⁵

The regional policy statement should not be inconsistent with any national policy statement, New Zealand coastal policy statement or water conservation order.³⁶

³¹ s 59.

³² s 60. The First Schedule is entitled "[p]reparation, change and review of policy statements and plans."

³³ A regional policy statement should make provision for Part I and Part II of the Second Schedule to the Act. The Second Schedule outlines "matters that may be provided for in policy statements and plans". Part I relates to regions, and Part II relates to districts.

³⁴ s 2 of the RMA states that an "iwi authority" means the authority which represents an iwi and which is recognised by that iwi as having authority to do so." An iwi authority is difficult to define as "iwi" is the Maori name for bone, stone, strength and, nation/people, (Williams, 1985).

³⁵ s 62. Since the regional policy statement contains in-depth information about these issues, it can become quite large. For example, the Canterbury Regional Council's Proposed Regional Policy Statement contains 260 pages of A4 paper.

³⁶ s 62(2). Under the RMA (s 432) the proposed regional policy statement and coastal plans must have been publicly notified before 1 October 1993. Due to a delay in completion of the national policy statement, this was extended to 1 July 1994 under s 208 of the Resource Management Amendment Act 1993.

b. Regional plans (including regional coastal plans)

Once the regional policy statement is formulated, regional councils may formulate optional regional plans, which assist regional councils in carrying out their functions directed at achieving the purpose of the RMA. The plans are prepared in accordance with the First Schedule to the RMA. The regional council must prepare a regional coastal plan (which is approved by the Minister of Conservation) in order to implement the directives under the New Zealand coastal policy statements. Where appropriate, a regional coastal plan may form part of a regional plan in order to achieve integrated management of a coastal marine area.³⁷ A regional council may, in addition to the regional coastal plan, prepare other regional plans in respect of any function of the regional council (for example soil conservation). There may be one or more regional plans in each region and a plan may apply to the whole or part of the region.³⁸

Similar to the contents of regional policy statements the regional plan *may* include matters in Part I of the Second Schedule to the RMA, where the matters are appropriate to the circumstances of the region. The plan must identify:

- the issues,
- objectives to be achieved,
- policies in regard to the issues and objectives,
- methods to implement policies,
- reasons for adoption of plans,
- information submitted with an application for a resource consent,
- environmental results anticipated,
- monitoring procedures,
- processes to deal with cross-boundary issues; and
- any other appropriate information.³⁹

Furthermore, the regional plan should not be inconsistent with any national policy statement, New Zealand coastal policy statement, water conservation order, or regional policy statement or plan.⁴⁰

³⁷ ss 63, 64.

³⁸ s 65(1)-(2).

³⁹ s 67.

⁴⁰ s 67(2).

c. Regional rules

A regional council may include in regional plans, rules which prohibit, regulate or allow activities for the purpose of carrying out its functions under the RMA, and for achieving objectives and policies of regional plans. If these rules are consistent with the regulations of the RMA then they have the force and effect of a regulation under the RMA. This effectively means some legislative authority has been delegated to regional councils. In formulating the rules the regional council should have regard to the effects on the environment and a rule may apply to various aspects of the environment within a region.⁴¹

In preparing these policy statements and plans a regional council has certain background responsibilities, which are examined below.

2. Background responsibilities

a. Duty to gather information, monitor, and keep records

To effectively carry out the functions of the RMA a regional council has a duty to gather information, monitor certain issues, and keep records.⁴²

In gathering information, a regional council shall:

“ . . . keep reasonably available at its principal office, information which is relevant to the administration of policy statements and plans, the monitoring of resource consents, and current issues relating to the environment of the area, to enable the public—

(a) To be better informed of their duties and of the functions, powers, and duties of the [regional council]; and

(b) To participate effectively under this Act.”⁴³

Furthermore, this information should be kept “reasonably available” at the regional council’s office.⁴⁴

⁴¹ ss 68, 69 and 70. An example of environmental issues includes water quality or air quality.

⁴² s 35(1).

⁴³ s 35(3).

⁴⁴ s 35(4).

A regional council shall:

“monitor—

- (a) The state of the whole or any part of the environment of its region or district to the extent that is appropriate to enable the local authority to effectively carry out its functions under [the RMA]; and
- (b) The suitability and effectiveness of any policy statement or plan for its region or district; and
- (c) The exercise of any functions, powers, or duties delegated or transferred by it; and
- (d) The exercise of the resource consents that have effect in its regions or district ...”⁴⁵

The information a regional council should keep, includes:

- Proposed policy statements and plans including all requirements for designations and heritage orders, and changes to those policy statements and plans;
- All decisions relating to submissions on any proposed policy statements and plans which are not yet operative;
- Proposed district plans for each territorial authority in the region;
- Every Order in Council served on the regional council, under section 154(a);
- Copies of any national policy statement or New Zealand coastal policy statement;
- Records of each resource consent granted, including transfers;
- Records of any time periods extended and waivers granted;
- Summary of written complaints received;
- Records of all natural hazards appropriate for the effective discharge of its functions.⁴⁶

The RMA indicates that there is a high cost associated with gathering this information, but a regional council is also entitled to make administrative charges to recover certain costs.⁴⁷

b. Duty to consider alternatives, benefits, and costs

In achieving the purpose of the RMA, every regional council (before adopting any objective, policy, rule or other method in relation specified clauses in the First Schedule to the RMA) should carefully consider the following:⁴⁸

- (i) The extent (if any) to which any such objective, policy, rule, or other method is necessary in achieving the purpose of the RMA; and

⁴⁵ s 35(2).

⁴⁶ s 35(5).

⁴⁷ s 36.

⁴⁸ s 32(1)(a).

(ii) Other means may be used to achieve the purpose of the RMA, including the provision of information, services, or incentives, and the levying of charges (including rates); and

(iii) The reasons for and against adopting the proposal, alternative means available, or taking no action where the Act does not require otherwise.⁴⁹

In addition, the regional council should carry out an evaluation of the likely benefits and costs of the principal alternatives, in order to be satisfied that the chosen means of exercising the function is the most efficient and effective way.⁵⁰

The public may challenge the regional council on the grounds that section 32(1) has not been complied with, by making a submission.⁵¹ Furthermore, the regional council should prepare a record of the action taken, in a form that it considers to be appropriate. This record shall be publicly available in relation to section 32(2)(c)(i), and in accordance with section 35, as from the time of that public notification.

In summary, the regional council must prepare a regional policy statement and a regional coastal plan. The council may prepare other regional plans and include regional rules in these documents. In preparing these documents the regional council has specified duties to perform. However, the RMA does not clearly state how disclosure should be made to the public about progress made towards objectives (as outlined in regional plans and policy statements).

D. Providing information for the public

The RMA does require that certain information be made publicly available.

1. Information that should be disclosed (an example)

By reviewing the legislation, it is often difficult to visualise the type of information that will be included in a “final document”, such as a regional policy statement. The main

⁴⁹ s 32(1)(a).

⁵⁰ s 32(1)(b) — (c).

⁵¹ s 32(3). The submissions may be made under specified sections of the Act (as per section 32(3)) or the First Schedule.

environmental issues addressed in the Canterbury Regional Council's "Proposed Regional Policy Statement"⁵² are stated below:

- soils and land use
- landscape and ecology
- water
- beds of rivers and lakes and their margins
- the coastal environment
- settlement and the built environment
- air
- energy
- transport
- natural hazards
- hazardous substances
- solid and hazardous waste management

This proposed regional policy statement contains detail about how resources will be managed in the region.

Furthermore, there are several ways to provide information for the public.

2. Possible ways to provide information

The RMA has outlined how information should be provided in different circumstances.⁵³ There are also other instances where this information could be provided to the public but it is not explicitly stated in the RMA. Some possibilities are detailed below:

- Firstly, the regional council can allow access to information stored at the regional council office. Section 35(4) of the RMA provides more detail about the requirement to keep information available at the office of the regional council.
- Second, including notices in prominent places in a public newspaper or the *Gazette*. There are different instances throughout the RMA where public notice should be given about various issues.⁵⁴ Therefore, it is likely that the regional councils will use this method too.

⁵² These categories were adapted for use in the mail survey as a basis for asking regional councils if they thought that managing these functions constituted a "significant activity" that should be disclosed in an annual plan and annual report (see chapter 3 for further details about the annual plans and annual reports). Another category (coastal marine area) was added to encompass the issues in the regional coastal plan. Because regional plans add depth to the issues in the regional policy statement and are optional no categories were added to the mail survey.

⁵³ The mail survey uses this as a basis for asking regional councils how they are currently providing information about progress made towards objectives as outlined in regional plans and policy statements.

⁵⁴ For instance, the public shall notified in a prominent advertisement of a summary of submissions, notifications, and conduct of hearings (s 50). The public should also be notified of proposed national policy statements (s 46). Furthermore, some information should be published in the *Gazette*, s 167. However, as an example of the expanding requirement for regional councils to make information publicly available, the Resource Management Amendment Act 1994 added a provision to s 68 of the RMA 1991. By this amendment, a regional council is required, as soon as

- Third, by sending out circulars to each constituent in the community. This is a variation of the second option.
- Fourth, issuing a separate annual document. Reports which inform the public about the current state of the environment in a given community. Anonymous (1995) reviews the first report about the state of the environment, published by the Canterbury Regional Council.
- Finally, publishing annual plans and annual reports. This is another possibility, which is reviewed in depth in chapter 3 of this study.

However, it is important to note that “[t]he Act does not go as far as requiring disclosure of any information regarding the environment within financial statements. The Act introduced penalties for the abuse of the environment⁵⁵. . .” Tozer (1992, 23). In fact, there are no specific requirements in the RMA for regional councils to provide information to the public, within annual plans and annual reports, in the following two categories⁵⁶:

- **RMA requirement I:** Progress made towards objectives as outlined in regional plans and policy statements; and
- **RMA requirement II:** The provision of information about decisions made in relation to sections 32 and 35 of the RMA.

Should these requirements be introduced for regional councils? If regional councils do not report on *RMA requirements* in their annual plans and annual reports, then will the public be aware that this information is available? For example, if a 10-year smog reduction plan is provided for in a policy statement or regional plan, then how does the public know what progress had been made towards the plan? The plan could be written without giving due consideration to its implementation. There are many other examples where results of actual implementation of plans and objectives within a regional policy statement should be reported to the public. For instance, some regional objectives in the Canterbury Regional Council’s “Proposed Policy Statement” include:

“Enable the transport system to meet the needs of the Canterbury community.” (p. 194);

“Reduce Canterbury’s dependence on non-sustainable energy sources.” (p. 186);

“Prevent or mitigate the adverse effects on the environment from the storage, use, disposal, and transportation of hazardous substances.” (p. 216).

reasonably practical, to give public notice of the changes in regulations and ensure a copy of the regulations is annexed in every copy of an affected plan or policy statement which is under the regional council's control.

⁵⁵ s. 339, where every person who commits an offence is liable for imprisonment or a fine. An “offence” relates to a contravention of duties and restrictions in relation to land subdivision: the coastal marine area, the beds of certain rivers and lakes, water, and discharges of concomitants.

⁵⁶ These have been divided into two categories. The first provides information in relation to actual activities of the regional council, whereas category two is a record of background material in relation to decisions made concerning policies or plans. When both categories are examined broadly they will be referred to as “*RMA requirements*.” Otherwise, the categories will be referred to separately as “*RMA requirement I*” and “*RMA requirement II*”.

Any progress made towards these objectives (or any objectives made in regional plans and policy statements) could contribute to sustainable management, under the RMA. Furthermore, the results of the strategies would be examples of *RMA requirements*.

There needs to be an investigation about whether annual plans and annual reports are an appropriate place to include this information.

E. Conclusion

An increasing global awareness of the environment has led to the introduction of the RMA in New Zealand. The purpose of the RMA is to promote sustainable management of New Zealand's natural and physical resources. In addition, local government reforms have changed the way regional government is structured. In resource management, regional councils play a pivotal role and are the focus of this study investigating the impact of the RMA on the provision of information by regional councils in annual plans and annual reports.

Under the RMA, a regional council has primary responsibility for the establishment, implementation, and review of objectives, policies and methods to achieve the integrated management of natural and physical resources in the region. To play its part in achieving the purpose of the Act, and to manage the resources in each region, a regional council must prepare a regional policy statement and a coastal policy statement. Where necessary, a regional council may also prepare regional plans, and include regional rules within those plans. These documents provide an overview of the resource management issues in regions. A regional council also has duties to consider the costs and benefits of an activity before adopting any policies or plans and to gather information, monitor certain issues, and keep records.

However, the RMA does not state that the public needs to be presented with information about *RMA requirements* in annual plans and annual reports. Therefore further investigation is required. The LGA sets out the general accounting disclosure requirements for regional councils. The following chapter will examine whether it is appropriate for regional councils to disclose *RMA requirements* in annual plans and annual reports.

3. Disclosing Environmental Policy in Annual Plans and Annual Reports: Establishing a link between the Resource Management Act 1991 and the Local Government Act 1974

Measure all that is measurable and attempt to make measurable that which is not yet so.⁵⁷

A. Introduction

Chapter 2 outlined regional councils' responsibilities under the RMA. However, the RMA does not outline how the public should be informed about *RMA requirements*.

This chapter will outline the accounting and accountability provisions, as stated in the LGA, for regional councils. These provisions will be linked to the requirements of the RMA by establishing whether information about *RMA requirements* should be disclosed to the public in annual plans and annual reports. In providing this link, aspects of accountability, current legislation, and prior literature will be discussed.

B. Accounting information requirements for regional councils

The LGA outlines the accounting and accountability requirements of regional councils.⁵⁸ One of the major requirements is the duty to publish an annual plan and an

⁵⁷ Galileo, 17th century Italian Physicist and Astronomer. Quoted by Jensen (1976, 89).

⁵⁸ LGA, Part XIA, s 223B — s223L.

annual report. Section 223C (conduct of affairs) of the LGA aims to promote forward planning by requiring a regional council to establish clear objectives for each activity and policy, measure the performance in relation to those objectives, and to inform the public, local communities and government.⁵⁹

1. *The annual plan*

Each financial year and in accordance with the special consultative procedures,⁶⁰ a regional council should prepare and adopt an annual plan⁶¹ which should outline:

- “(a) In particular terms for the financial year to which the report relates, and in general terms for each of the following 2 financial years:
 - (i) The intended significant policies and objectives of the local authority⁶² ...; and
 - (ii) The nature and scope of the significant activities to be undertaken; and
 - (iii) The performance targets and other measures by which performance may be judged in relation to the objectives; and
- (b) In particular terms for the financial year to which the report relates, and in general terms for each of the following 2 financial years, in total and for each significant activity of the local authority,—
 - (i) The indicative costs, including both an allowance for depreciation and the cost of capital employed; and
 - (ii) The sources of funds; and
 - (iii) The rating policy of the local authority.”⁶³

Section 223D of the LGA outlines that the annual plan should contain details in regard to any significant changes between specified policies, objectives, activities, and performance targets in both the current and preceding financial year. Furthermore, in each financial year, a regional council must prepare an annual report assessing its performance against the annual plan.

⁵⁹ For further detail regarding the conduct of management affairs in regional councils, see section 223C of the LGA.

⁶⁰ This is a public consultation process, detailed in s 716A of the LGA.

⁶¹ For further details refer to LGA, s 223D.

⁶² The LGA refers to local authorities in general, and this study concentrates of regional councils only. However, a “regional council” forms part of the definition of a local authority, as defined in section 2 of the LGA.

⁶³ LGA, s 223D(3).

2. The annual report

The annual report⁶⁴ assesses actual performance against policies, objectives, activities, performance targets, indicative costs, and sources of funds specified by the regional council, as set out in the annual plan. The audited financial statements shall consist of:

- “(a)A statement of financial position; and
- (b)An overall operating statement; and
- (c)One operating statement in respect of each significant activity; and
- (d)A statement of cash flows; and
- (e)Such other statements as may be necessary to fairly reflect the financial position of the local authority, the resources available to it, and the financial results of its operations.”⁶⁵

The annual report should include audited, consolidated financial statements for the regional council and organisations in which the regional council has a significant interest or financial interest.⁶⁶ The annual report shall contain an audit report and information which compares actual performance to projected performance, as set out in the annual plan.⁶⁷

Both the annual plan and annual report shall be made available for public inspection within a reasonable time, as specified in the LGA.

3. Financial systems

As a complement to the annual plan and annual report, financial systems⁶⁸ should be adopted by regional councils (Palmer, 1993). Financial systems, reporting and record keeping should be adopted which are:

“... consistent with generally accepted accounting practices recognised by the New Zealand accounting profession as appropriate and relevant for the reporting of financial information in the public sector.”⁶⁹

⁶⁴ For further details refer to LGA, s 223E.

⁶⁵ LGA, s 223E(2).

⁶⁶ LGA, s 223E(3). The terms *significant interest* and *financial interest* are not defined in the LGA. However, Palmer (1993) indicates what these terms may mean, financial interest would mean that the regional council has a certain amount of “control” over another entity. Furthermore, “[w]hat amounts to a significant interest would be a question of fact in each case.” (Palmer, 1993).

⁶⁷ LGA, s 223E(5).

⁶⁸ LGA, s 223F.

⁶⁹ LGA, s 223F (1).

The systems and procedures shall (among other things)⁷⁰ allow identification of:

“ . . . the costs, revenues, and financial performance of the various activities of the local authority and of each of its significant activities, and, include, for each significant activity, a separate allowance for depreciation and provision for a return on the capital involved.”

Clearly, the accounting and accountability sections in the LGA do not directly state that certain information in relation to the RMA should be disclosed in annual plans and annual reports. However, other indirect links can be established.

C. Disclosure of *RMA requirements* within annual plans and annual reports

To determine whether *RMA requirements* should be disclosed in annual plans and annual reports several issues will be addressed, including:

- highlighting historical and current legislative facts;
- discussing accountability in regional councils;
- reviewing opinions in prior literature.

1. *The law governing regional councils*

A regional council is a body created by statute and as such may only do what is explicitly stated or implied in the legislation, or that which is incidental to what is authorised (Lonie, Bryant, and Groom, 1993). Any act which exceeds or is beyond that which is authorised in legislation will be *ultra vires*.⁷¹ Thus, it seems important for legislation to be clear so that duties can be performed, without needing to question whether a particular activity is *ultra vires*. Although several statutes⁷² apply to regional councils, the only area of law which needs to be examined is the indirect link between the RMA and the LGA in relation to the disclosure of *RMA requirements*.

Initially, the RMB in clause 31(3) stated that a regional council in its annual plan:

⁷⁰ For further detail refer to LGA, s 223F(2).

⁷¹ *Ultra vires* means “beyond powers”. The principle arose in early court decisions to limit the activities of certain bodies so that commercial and private property rights could be protected. It applies not only in the assessment of substantive powers (management, trading activities, public works, and fiscal obligations) but also to administrative powers and procedures (Palmer, 1993).

⁷² See Palmer (1993) for detail of statutes which relate to local government (which includes regional councils).

“... shall include in the section relating to its resource management functions and obligations under this Act, the performance targets and measures it will use to fulfil its information and monitoring duties under this section.”

The RMA requires (in certain situations) monies to be dealt with in accordance with s 223F of the LGA.⁷³ Furthermore, the RMA outlines the requirement to consult other documents before either preparing or changing a regional plan or policy statement. In particular, the RMA states that there is a need to consider any “management plans and strategies prepared under other Acts”. This statement is included in the following sections of the RMA:

- s 61(2)(a)(i), concerning matters to be considered by a regional council for regional policy statements;
- s 66(2)(c)(i), concerning matters to be considered by a regional council for regional plans.

However, these management plans and strategies are not specified within the RMA. Would the annual plans (as required under the LGA) constitute a management plan or strategy? If so, how much correlation would be required between annual, strategic, and long term plans of the RMA. Has this, therefore, created an indirect requirement to report on *RMA requirements* in annual plans and reports?

This confusion is compounded because a key term is not defined in either the RMA and the LGA, namely *significant activities*. As outlined earlier in this chapter, the LGA provides regional councils with guidelines regarding accounting records, which prescribe that:

- the annual plan shall provide certain details about *significant activities*;
- the annual report shall provide certain details about *significant activities* and assess the performance of each regional council against its annual plan;
- one purpose of the financial systems is to keep certain information about *significant activities*.

The financial systems gather facts for disclosing in the annual report. The content of the annual report must assess the performance of the regional council against the annual plan. This indicates that the annual plan will guide the disclosures made in the annual report and types of records kept. Because the information flow begins with the annual plan, then the point at which the regional council must specify its *significant activities* is in formulating the

⁷³ For example, s 111 of the RMA requires that monies received as a condition of a resource consent should be dealt with in accordance with s223F of the LGA.

annual plan. Since the LGA does not define the concept of *significant activities* it is not clear whether activities required under the RMA would satisfy the requirements of significant activities undertaken by the regional council.

It seems appropriate to look towards other indicators of what a significant activity is to ascertain the items that the regional council should include in its annual plan. The *Oxford Encyclopedic English Dictionary* (1991, 1350) defines significant as “[n]oteworthy; important; consequential; (*a significant figure in history*).” An activity is defined in the *Oxford Encyclopedic English Dictionary* (1991, 14) as “(often a *pl.*) a particular occupation or pursuit (*outdoor activities*).” Thus a *significant activity* is one that is noteworthy, important or consequential within a particular occupation or pursuit.

Moreover, the LGA outlines the purposes and structure of local government, stating one function of a regional council to be “. . . the functions, duties and powers of a regional council under the Resource Management Act 1991.”⁷⁴ However, there is no statement (in the RMA or the LGA) to indicate whether the functions of the council under the RMA, as detailed in the policy statements and plans, should be taken into account in the annual plan. It is contended that if the functions, powers and duties (as detailed in chapter 2) are *significant activities* the LGA would make it necessary for regional councils to include these activities within their annual plans. That is, a regional council would need to disclose *RMA requirements* in their annual plan and annual report.

Nevertheless the legislation is unclear, because it does not outline how much (if any) information about *RMA requirements* should be disclosed in the annual plan and annual report. This lack of clarity is shown in Figure 3 - 1, below, where the unclear relationship is represented with dotted lines. The extent of disclosure could be examined in the judicial forum.⁷⁵

⁷⁴ LGA, s 37s. For further provisions in relation to the functions of the regional council, see the LGA, s 37s — s 37sd.

⁷⁵ Investigations have not revealed case law to confirm or deny the contention if the functions, powers and duties (as detailed in chapter 2) are *significant activities* the LGA would make it necessary for regional councils to include these activities within their annual plans.

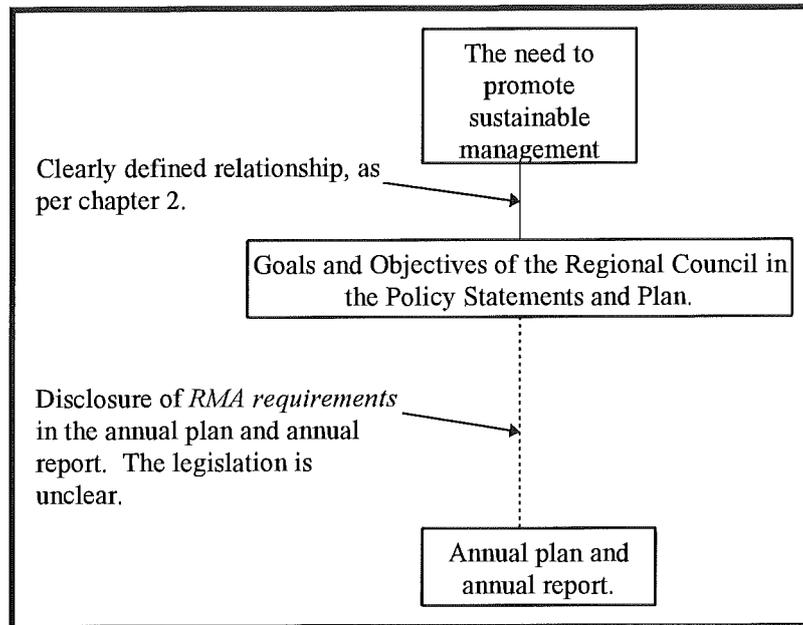


Figure 3 - 1: Unclear legislation: how much should *RMA requirements* be disclosed in the annual plan and annual report?

This contention will be examined further, by discussing whether regional councils should be accountable⁷⁶ to the public for *RMA requirements* by providing this information in annual plans and annual reports.

2. Accountability

There is no single definition of accountability,⁷⁷ however, Gray (1990c, 12) argues that accountability is:

“... the responsibility to provide an account of the activities for which one is held responsible.”

Since 1984, regional councils have experienced extensive economic reforms⁷⁸ which provided for, among other things, greater accountability (Boston, 1991). In the

⁷⁶ This is a statement of an accountability relationship, which Patton (1992) and Weissman (1983) outline as being defined in terms of “who” is accountable to “whom” and for “what”.

⁷⁷ The following references provide further information about accountability. Wagner (1989), Day and Klein (1987), Weissman (1983), and Gray and Jenkins (1986) discuss the history of accountability. For a comparison between accountability and stewardship, see Jones and Pendlebury (1992), and Gray and Jenkins (1986). For some alternative definitions of accountability see Patton (1992), and Jones and Pendlebury (1992).

Laughlin (1993), Gray, et al. (1987), and Gray (1990c) discuss accountability in terms of a responsibility between an agent and a principal. For a discussion about the problems of interpreting the concept of accountability see Stenning (1993). Glynn (1987) and Dwivedi (1994) break accountability down into different “elements” or “divisions” and discuss aspects of each category in depth.

⁷⁸ These reforms affected local government and the public sector. For further details of the reforms, see Scott, Bushnell, and Sallee (1990), Scott and Gorrings (1989), Boston (1991), the preamble in the RMB (1989), McCulloch and Ball (1992), Ball (1994), and Goldman and Brashares (1991).

interest of increased accountability,⁷⁹ amendments were made to the accounting and accountability provisions in the LGA (Hawkes, 1992). The changes were made in 1989 to ensure that affairs:

“... are conducted in a more comprehensible and open manner, based on clear objectives for all activities and policies.” Schofield (1992, 20).

This allows the public to have some input into the activities of the regional council (Ross, 1993).

Thus, the reforms changed the role of annual plans and annual reports. However, what are the indications, if any, in terms of reporting *RMA requirements*? Firstly, notice the difference in timing between the plans and policy statements of the RMA, and the annual plans. The RMA sets long term goals, whereas annual plans and annual reports set short term goals. It may be possible that the long term goals of the RMA may be easier to achieve if information on short term targets is provided in the annual plan and annual report. In turn, this may assist the regional council in achieving the purpose of the RMA (sustainable management of natural and physical resources).

In discussing the issue of implementing sustainability and accountability, Baines, Wright, Taylor, Leathers, and O’Fallon (1988, 56) suggest:

“[s]ustainable resource management practices should have an explicit basis in legislation, rather than be left to individual judgement. A necessary complement is to ensure regular review of progress towards achieving sustainability policy objectives. This reinforces the need for on-going monitoring and rigorous mechanisms for accountability.”

This statement indicates that a regional council should not only produce policy statements, but that there should be legislation requiring information to be produced for reporting on progress towards the objectives in policy statements; that is, the reporting of *RMA requirements*.

Gray (1992) believes that the development of accounting systems which can report sustainability information are an important condition for the achievement of sustainability. Furthermore, Bebbington, et al. (1994, 28) highlight the importance that accounting may have in achieving this:

⁷⁹ Hawkes (1992) states that these amendments to the LGA were made in the interests of enhanced accountability as well as transparency. Gray (1992) notes that an accountability system increases the transparency of the organisation and that transparency means that “[t]he inside of the organisation becomes more visible.” (p. 415). For an in depth discussion about transparency and accountability, see Gray (1992).

“[a]t this early stage it appears that accounting may play a pivotal role in the sustainability debate within organisation[s].”

Clearly, the regional council must promote sustainable management of natural and physical resources, and the provision of accounting information plays an important role in this respect. Further, the reforms of the past decade indicate a clear intention to enhance accounting and accountability in the public sector and in local government. Thus, it could be argued that providing information about *RMA requirements* in annual plans and annual reports is a necessary part of achieving sustainable management. Furthermore, it could be argued that legislation should be clarified to provide for this outcome. This is supported by Hines (1988a, 254), who states: “[o]nce an organisation becomes accountable for something, we must account for it sooner or later.”

3. *Prior literature*

There has been little prior research in this area. However, Orr (1994) contended that an examination could be conducted about the extent to which local authorities⁸⁰ interpreted and expressed the objective *environmental* with respect to the RMA. Orr’s (1994) research method incorporated a literature study, document study, and content analysis. A search was undertaken for phrases or clusters of words, including the words “sustainable”, “sustainable management” and “environmental”, in the annual plans of local authorities. Use of the words was taken as evidence that the local authority was *environmentally aware*.⁸¹ The results indicated a large proportion of local authorities have displayed this “environmental awareness”. For example, 81% of regional councils and unitary authorities have included this phrase or similar words in their mission statements. Orr (1994, 62) concluded that “[a] major theme underlying the ... results is the commitment to and understanding of ‘sustainable management’.”⁸² While Orr (1994) conducted empirical research, other writers have offered non-empirical opinions or theories.

⁸⁰ Orr (1994) defined local authorities as regional councils, city councils and district councils.

⁸¹ Orr (1994) does not define “environmentally aware” in his paper, but notes that there has been a growing awareness of environmental issues in the past decade.

⁸² Although this conclusion is useful, the only information conveyed is that local government is making some attempt, at least in their reports, to show they are using the correct terminology. Whether they actually follow these words with action can only be seen in the future.

Read (1991) commented that there should be a relationship between long term and short term plans. However, that comment was made in the light of a clause 31(3) in the RMB, which is repeated below, that the annual plan:

“... shall include in the section relating to its resource management functions and obligations under this Act, the performance targets and measures it will use to fulfil its information and monitoring duties under this section.”

This clause was deleted prior to the draft legislation becoming law. Read (1991, 38) noted that if this clause had been included then “better” information would need to be kept about the council’s natural and physical resources and that “[t]here will also have to be a high degree of correlation between the annual plan and the district scheme plan.”⁸³ Does excluding this clause mean that there should be no correlation between annual and longer term plans of the regional council? The extent that there should be correlation is unclear, but the RMA does provide some links in regard to disclosing *RMA requirements* in annual plans and annual reports (as outlined above). Various opinions are outlined below.

Tozer (1992, 18) notes that there are no specific accounting requirements in the RMA and that “[t]his would appear to subjugate the objective of promoting sustainable management ...”, because:

“[w]ithout information, upon which to base environmental decisions, provided by local organisations or authorities, to which the general public has access this objective cannot in itself be satisfied to its fullest extent.” (Tozer, 1992, 18).

Schofield (1992, 20) states that “. . . the Resource Management Act will demand tighter and stronger strategic planning processes in local government.” Schofield (1992) also surmised that the LGA is a tool for both financial planning and strategic planning, noting that local authorities have implemented the financial planning very well, but have almost overlooked the reporting required for strategic planning. The Ministry for the Environment (1993c, 24) states that:

“[a]nnual plans complement these longer-term plans by setting milestones and activities that help to achieve the long term objectives.”

Following the enactment of the RMA, comments were made indicating that there should be a relationship between the annual plan and long term plans (Ministry for the Environment) 1991; Milne, 1992; and Schofield, 1992). The Ministry for the Environment (1991) notes that the role of annual plans is no longer budget-based (a traditional role of

⁸³ Read's comment was in relation to district councils, but clause 31(3) also applies to regional councils.

accounting), and therefore argues that the place for certain issues in relation to resource management planning is the annual plan. Milne (1992, 52) notes that the RMA "... is designed to regulate the *effects* of activities while annual reports clearly concentrate on the activities themselves." Furthermore, Milne (1992) notes that the requirement to consult with the public on an annual plan provides opportunities to comment on the priority assigned to activities in a particular period. Milne (1992) discusses a report⁸⁴ which recommended that regional councils look beyond the three year annual plan when a programme requires a longer time-frame, since it is obvious that the environment has been affected by choices made in the annual plan. Milne (1992) believes that in certain circumstances a regional council should include more in the annual plan than is required by the LGA, in order to achieve the purpose of the RMA.⁸⁵

Schofield (1992) adds that annual plans should not be the sole means of management coordination, but rather be the product of strategic planning. Schofield (1992, 21), states:

“[t]he planning perspective embodied within the Resource Management Act is very long-term.

If the annual reporting process used by a local authority continues to be focused on only very short-term objectives, then co-ordinating the two processes [annual and strategic plans] will become difficult, and not yield the results intended by the legislators.”

Thus, Schofield (1992) has suggested that long term plans (such as policy statements and plans) should be coordinated with the formulation of annual plans and annual reports.

Vossler (1994)⁸⁶ would like to see this interrelationship formalised and offers suggestions concerning the sections of the RMA and the LGA which could be amended to satisfy this interrelationship. He arrives at this by discussing the Kapiti Coast District Council's report, as noted by Milne (1992). Vossler (1994) describes the essence of the report, which expresses the view that there should be “strong linkages” between strategic, annual, and district plans (for regional councils this would be regional plans and policy statements) to ensure that environmental responsibilities are accomplished. Moreover, Vossler (1994) describes attainment of this as an “integrated policy framework” and notes that if this:

⁸⁴ A report about the Kapiti Coast District Council, prepared by the Parliamentary Commission of the Environment.

⁸⁵ Milne (1992) cites an example of a large infrastructure programme which takes longer than three years to complete.

⁸⁶ Vossler (1994) describe these problems as affecting territorial authorities. The RMA is drafted in the same way for regional councils. Therefore, the references made as changes to legislation are those pertaining to regional councils.

“... objective cannot be achieved through voluntary means, an option which may need to be considered is the introduction of amending legislation to make the preparation of strategic plans mandatory . . .”(Vossler, 1994, 21).

Vossler (1994) suggests that this amendment could occur in the sections relating to “management plans.” (For regional councils these sections would be s 61(2)(a)(i) and s 66(2)(c)(i) of the RMA).

These sections require the regional council to consider any “management plans and strategies prepared under other Acts” when preparing their regional plans and policy statements. Vossler (1994) has contended that if the annual plan (prepared under s 223D of the LGA) clearly constituted a “management plan”, then there would be a need to consider the content of the annual plan when preparing and making changes to these regional plans and policy statements. Vossler (1994) also notes that if the intent of ss 62(2), 67(2)⁸⁷ and 32 are to encourage active recognition of the annual plan, then the LGA may need amendment.

Another possible change to the RMA would be to add a section, such as clause 31(3) which was omitted following consideration of the RMB. This clause provided that the annual plan should include information in relation to resource management functions and obligations.

The need for coordination between the long and short term plans of a particular local authority has been outlined. However, Ward (1994) further notes that there is insufficient monitoring in local government, which means that the overall environmental strategies may not be consistent in the different levels of government. Ward (1994) suggests that there should be explicit relationships between policies, plans, and environmental outcomes. Furthermore:

“[t]o monitor performance local government authorities must develop a set of measurable ‘standards’ (targets) and a corresponding set of ‘indicators’.” (Ward, 1994, 23).

This statement would appear to suggest use of a form of accounting information to ensure there is cohesion between different levels in government. Information of this nature would contribute to records gathered for effective reporting of *RMA requirements* in annual plans and annual reports.

⁸⁷ Sections 62(2) and 67(2) require the regional council to consider other documents (such as the national policy statements) when preparing regional plans and policy statements. This is detailed in chapter 2.

The above discussion relates to *RMA requirements* — but with specific reference to *RMA requirement II* there does not appear to be any literature about the role of section 35 of the RMA in relation to annual reporting. However, some writers have commented about the importance of section 32 of the RMA for annual reporting. Milne (1992) considers that annual reporting has a key role to play in ensuring that councils perform their duties under section 32.⁸⁸ Moreover, Clough and Longley (1993) consider annual plans and annual reports may provide information that is relevant to cost/benefit analysis (that is the essence of section 32), but this information cannot be a substitute for it. There has been litigation to clarify the requirements of section 32 of the RMA. The courts⁸⁹ discussed whether a council should provide a “section 32 report”. The result was an amendment to section 32(2) and (3) of the RMA (the current legislation is outlined in chapter 2). Since there has been a need to clarify one aspect of reporting in a court of law, there may be a need to clarify law regarding whether the annual plan and annual report should disclose *RMA requirements*. This supports the earlier contention that the law requires clarification.

An interpretation of the relationship between background preparation, regional plans and policy statements, and environmental activities, is represented in hierarchical form in figure 3 - 2. This indicates that the background responsibilities are mainly an internal record of information, but those responsibilities will influence the policy statements and plans, and thus the annual plans and annual reports. Considered another way, the annual plans and annual reports act as the leader for all environmental activities conducted by a regional council towards the promotion of sustainable management.

⁸⁸ It should be noted that the requirements of section 32 of the RMA are not included within the original label for “*RMA Requirements*”.

⁸⁹ The courts considered issues such as the timing of the report and whether it should be an internal or external document. However, the new legislation clarifies the applicability of s 32. The Ministry for the Environment (1994, 42) states that “[t]his amendment clarifies that a separate [section] 32 report is not necessary, although councils will still have to demonstrate that they have complied with the section.” See Palmer (1993, 591) for the arguments before the change in legislation. Cases include: *Foodstuffs (Otago Southland) Properties Ltd v Dunedin City Council* (1993) 2 NZRMA 497 (PT); *Application by North Shore City Council* [1994] NZRMA 74 (PT); *Imrie Family Trust v Whangarei District Council* [1994] NZRMA 453 (PT); *Ngati Kahu v Tauranga District Council* [1994] NZRMA 481 (PT); *Countdown Properties (Northlands) Ltd v Dunedin City Council* [1994] NZRMA 145 (HC). For a synopsis of case law in this area see *Resource Management, Brooker's*, Wellington (1991) — an updated loose-leaf service.

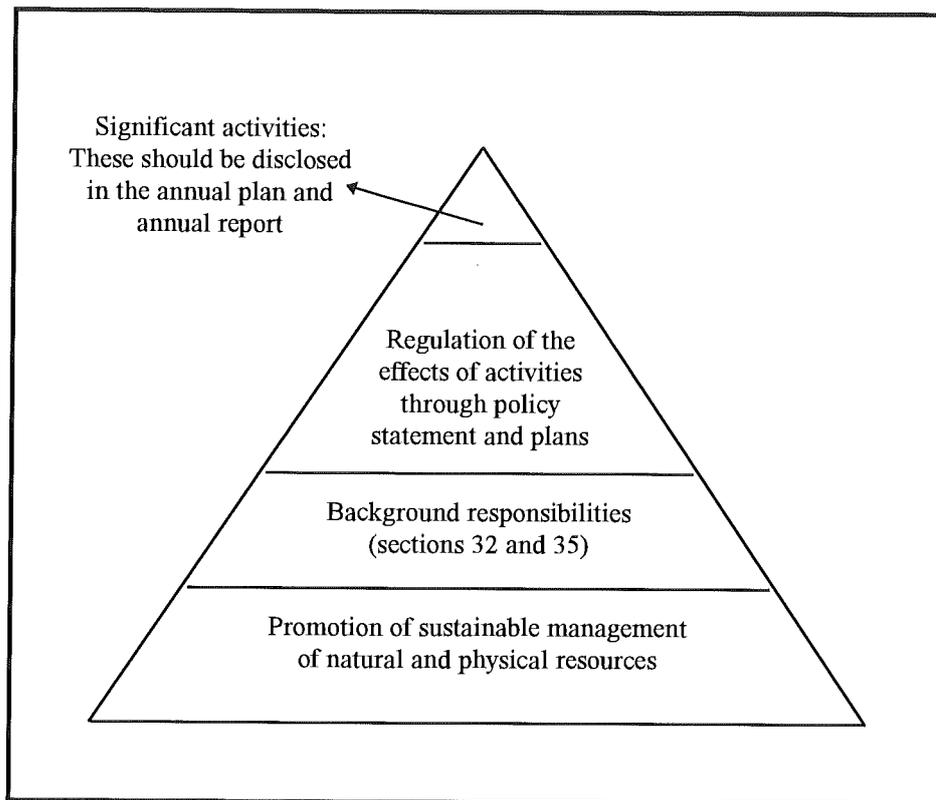


Figure 3 - 2: The role of the annual plan and annual report in promoting sustainable management.

Any activities carried out because of a (long or short term) plan will affect the environment, which strongly indicates that *any* plan is an important tool in performing and achieving sustainable management of natural and physical resources. Thus, there appears to be a strong need for an interrelationship between the short term and long term plans of regional councils, and possibly a change in the legislation.

D. Conclusion

Regional councils have witnessed radical reforms in the past decade, part of which is an increase in the need to be accountable for their activities, which in turn has led to amendments of the accounting provisions contained in the LGA. The reforms were complemented by the introduction of the RMA. Nevertheless, current legislation does not explicitly state whether there should be reporting of *RMA requirements* in annual plans and annual reports. There are, however, some indirect links within the law, indicating that disclosure of *RMA requirements* may be necessary.

An examination of the prior literature has revealed that there is a need to link long term, strategic, and short term plans, and ensure that sustainable management is achieved

with cohesion between these plans, thereby ensuring that the regional council conducts its environmental activities effectively. Moreover, annual plans appear to play a pivotal role in the implementation of these long term plans, because they outline council's environmental actions for the short term. However, either the LGA or the RMA may need to be amended, or their interpretation clarified, so that they provide clear law regarding the role of accounting in reporting *RMA requirements* to the public. There are several ways to disclose information about *RMA requirements* in annual plans and annual reports. This point is investigated in the next chapter.

4. *Disclosing RMA Requirements in Annual Plans and Annual Reports — Possible Forms of Disclosure*

“Everyone in a given society is affected by reported accounting data whether he or she knows it or not.”⁹⁰

A. Introduction

It was contended in chapter 3 that there is a need for regional councils to disclose information to the public about *RMA requirements* in annual plans and annual reports. *RMA requirements* are defined in two distinct categories:

- **RMA requirement I:** progress made towards objectives as outlined in regional plans and policy statements; and
- **RMA requirement II:** The provision of information about decisions made in relation to sections 32 and 35 of the RMA.

However, as Hendriksen (1982, 523) states:

“[d]isclosure is a relative term, but it should be the basic objective of financial statements after determining for whom and for what purpose financial information is to be presented.”

Chapter 3 established the objective referred to by Hendriksen.

This chapter begins with a discussion about the compliance costs for regional councils associated with disclosing information about *RMA requirements* in annual plans and annual reports. Furthermore, positive implications (for the public) resulting from disclosure will be highlighted. Finally, different ways that this information could be disclosed will be presented, including: numerical data, written information, statements of service performance and pictorial reports.

⁹⁰ Kam (1990), quoted from Sadeghzadeh (1992, 12).

B. Compliance costs of disclosing information

The Ministry for the Environment (1994) discusses how general costs associated with complying with the RMA can be reduced (for example reducing the costs of monitoring the environment). Yet there does not appear to be any specific discussion in the literature concerning compliance costs of disclosing *RMA requirements* in annual plans and annual reports. However, Brooks, Davidson, and Palamides (1993) refer to “environmental compliance costs” as those costs associated with complying with regulations. Applying this to regional councils in the context of this study, implies that “compliance costs” are the costs incurred by a regional council, or associated local authority, in reporting *RMA requirements* in annual plans and annual reports.

Chapter 2 outlined the *RMA requirements* for regional councils, and chapter 3 contended that this information should be disclosed in annual plans and annual reports. Tracy and Jean (1993) conducted a study and found that organisations collect information as part of their normal operations. However, there is an additional cost associated with packaging, processing, and presenting information in a useful or desired manner.⁹¹ Although Tracy and Jean’s (1993) study did not directly relate to the disclosure of *RMA requirements* in annual plans and annual reports, it did strongly indicate that an entity may need to expend additional monies or efforts so that information can be compiled appropriately. Therefore, it seems that compliance costs for regional councils would be those associated with compiling the information (about *RMA requirements*) and then presenting it appropriately in annual plans and annual reports.

Although reporting *RMA requirements* in annual plans and annual reports has compliance costs, there are benefits for other organisations. These are reviewed below.

⁹¹ Tracy and Jean (1993) discuss the reporting systems which have been experimented with in a council for Portland, Oregon. The report was labelled “service efforts and accomplishments”. At the time of publication the council had produced two reports. This report was not part of the annual report but was issued separately by the auditing department. The report aimed to promote accountability and improve the performance of governmental services of the city. In this study Tracy and Jean (1993) outline their feasibility study which investigated the costs associated with “service efforts and accomplishments reporting”, which is the reporting of “service efforts and accomplishments”. Tracy and Jean (1993, 11) state that “service efforts and accomplishments” are “... one facet of effective use of performance objectives in planning and budgeting.” Their study found that sufficient data existed in the office for producing the report, and it assessed how much time and money had been spent on producing the report.

C. Benefits for other organisations of disclosing *RMA requirements* in annual plans and annual reports

Prakash and Rappaport (1977) conducted a study to determine whether the behaviour of a “decision making entity” will be influenced by information. The study considered whether an entity would be affected in either of two ways: as an information recipient and as an information sender. By considering the implications of information communication and use, Prakash and Rappaport (1977) found that any external reporting information that was received and sent influences the behaviour of an entity. Thus accounting information can influence the behaviour of other entities. This indicates that other organisations are influenced when a regional council provides information about *RMA requirements* in annual plans and annual reports.

Ramanathan (1976) states that providing *social accounting*⁹² information facilitates public decision making. If this was applied to a regional council providing information on *RMA requirements* in annual plans and annual reports, then other organisations may have better access to information. For instance, an organisation may acquire basic knowledge about an issue from an annual plan or annual report. This might prompt them to seek detailed information from the regional council. Furthermore, this information may further assist the organisation in reacting to their requirements under the RMA, for example in submitting a resource consent.

Prior discussions have established that there are compliance costs associated with disclosing *RMA requirements* in annual plans and annual reports. Also, there are potential benefits for other organisations when a regional council makes these disclosures. Different forms of disclosure are reviewed below.

⁹² The term *social accounting* encompasses the reporting of many issues, including reporting the environment within accounting information (Gray, et al., 1987). Therefore, it is contended that reporting *RMA requirements* in annual plans and annual reports could be considered to be a subset of social accounting. There is extensive literature about social accounting, for instance Dierkes & Preston (1977); Gray (1990c), Gray, et al. (1993), Gray, et al. (1987), Perks & Gray (1979, 1980, 1981) Seidler and Seidler (1975), (Ullmann, 1976). An in-depth discussion of social accounting is beyond the scope of this study.

D. Forms of disclosure

This study establishes four *broad* categories for disclosing information about *RMA requirements* in annual plans and annual reports. Categories examined include numerical data, written information, pictorial reports, and statements of service performance.

1. Numerical data

The *Oxford Encyclopedic English Dictionary* (1991, 999) defines *numerical* as “of or relating to a number or numbers”, and defines number as “an arithmetical value representing a particular quantity and used in counting and making calculations.” The *Statement of Concepts for General Purpose Financial Reporting* (New Zealand Society of Accountants, 1993) associates the provision of numerical information with financial data within financial statements, such as, information included in a balance sheet, income statement, and the profit and loss account.

Therefore, numerical information could be used to present information in annual plans and annual reports about the regional council’s performance in relation to *RMA requirements*. For example, a regional council can use numerical information to disclose how much is being spent on progress made towards a particular activity in a policy statement. An example is provided below in Figure 4 - 1, namely, the protection of the community from natural hazards.

Natural Hazards	\$
Monitoring	10, 000
Processing submissions	7, 664
Investigating current emergency services	11, 654
Committee meetings	4, 324
Public education	19, 76
Total	53, 403

Figure 4 - 1: Example of numerical disclosure of *RMA requirements*.

Figure 4 - 1 illustrates how numerical information can be used to present information using dollar terms. However, numerical information can be applied in other ways to disclose facts (Epstein, Flamholtz, and McDonough, 1976), such as the use of

percentages. For example, “the city’s pollution has decreased from 10% to 8% in the past financial year”. This numerical information might also be supported with explanations about how the pollution is measured.

Using numerical information to present information has advantages:

- in general, the information is useful for decision making (Hendriksen, 1982); and
- it is perceived as being objective (Gray, Owen, and Maunders, 1987).

However, numerical information is often difficult to compare between entities, over time (Hendriksen, 1982). Furthermore, Gray et al. (1987) outline that numerically represented environmental information:

- can be difficult to quantify;
- cannot always be presented in a comprehensive way;
- provides imprecise indications of social phenomena; and
- may result in bad publicity — if presented inaccurately or unreliably.

It is facts like these which mean that not all information about *RMA requirements* can be presented using only numerical information. The use of written information for disclosure is also examined.

2. Written information

Write has been defined in the *Oxford Encyclopedic English Dictionary* (1991, 1670) as “mark paper or some other surface by means of a pen, pencil, etc., with symbols, letters, or words.” Thus, written expression in this context implies the use of non-numerical symbols for disclosure of *RMA requirements* in annual plans and annual reports. There is literature (reviewed below) which provides guidelines that could be applied to the disclosure of *RMA requirements*, however there does not appear to be any specific literature about disclosing *RMA requirements* using written information.

Gray et al. (1987) states that written information is probably the easiest, quickest, and cheapest method of presenting social information, and Epstein, et al. (1976) outline that it is a very common form of information provision about social issues. However, in terms of materiality and relevance written information is difficult to evaluate for decision making purposes (Hendriksen, 1982), and written accounting information can introduce bias to a report (Aerts, 1994).

Gray et al. (1987) states that written information can be supported with the use of numerical data. He cites an example where numerical information has been used to support written information. This was a health authority, which for a given period, cites the number of patients, and the kind of treatment they received. Furthermore, Gray, et al. (1987, 93) notes that narrative disclosures:

“... vary from general statements of good intention in the annual report and accounts through to relatively thorough analyses of specific issues produced as separate documents.”

There will be various ways to use written information to disclose information about *RMA requirements* and Figure 4 - 2 provides one illustration. This is an extract reproduced from the Chief Executive's Statement in the Canterbury Regional Council's annual report (1993/94, 9):

The main activity of the Canterbury Regional Council during the 1993-94 financial year continued to be promoting the sustainable management of the region's natural and physical resources. The Council continued to work towards achieving the requirements of the Resource Management Act 1991 and has a better understanding of its implications. During the course of the year the Council became more adept at recognising priorities under the Act and was able to organise and plan them more effectively.

The Council initiated an extensive programme of policy development during the year. Two significant documents, the Regional Policy Statement and the Regional Coastal Environmental Plan, were both notified within their statutory deadlines. Various other major policy documents were also produced. Staff are to be congratulated for their dedication in producing these planning documents.

The Council undertook substantial public consultation and discussion in developing the Regional Policy Statement and there was an overwhelming response to its publication. Over 130 submissions were received, several over 40 pages in length. Staff are preparing reports on more than 1000 specific issues raised in submission to the document.

Figure 4 - 2: Example of written disclosure of *RMA requirements* (extract reproduced from the Canterbury Regional Council's annual report for 1993/94)

This example shows how written information can be disclosed about *RMA requirements* (that is, progress made towards objectives as outlined in regional plans and policy statements). The extract uses predominantly narrative information, supported by numerical data. The statement of service performance can also be used to disclose information.

3. Statements of service performance

The statement of service performance is a method used to disclose information. It combines the use of other methods of disclosure in a prescribed form, for example written and numerical information. Its applicability for disclosing *RMA requirements* is examined here.

The reforms described in chapter 3 for regional councils also extended to the public sector. For the public sector these reforms included the introduction of the Statement of Service Performance (SSP). The Public Finance Act 1989 legislated change to the nature of accounting, by prescribing that financial statements⁹³ of departments⁹⁴ shall be prepared in accordance with Generally Accepted Accounting Practice and shall include:

- “(e) [a] statement of service performance reporting on the performance for each class of outputs achieved by the department during the year as compared with the forecast performance for each class of outputs included in the statement of objectives.^{95,96}”

Therefore, an entity governed by the Public Finance Act 1989 must use the SSP to present information. Unlike the Public Finance Act 1989, the LGA does not explicitly state that regional councils should produce statements of service performance. However, changes⁹⁷ to the LGA indicate that the use of SSPs is appropriate. Furthermore, section 223F(1) of the LGA states that for the *financial systems, reporting, and record keeping* should be adopted *as appropriate and relevant for the reporting of financial information in the public sector*. The LGA prescribes that certain information be included in annual plans and annual reports in relation to significant policies and objectives, and measures for judging performance. Moreover, *Financial Reporting Standard 2* (Financial Reporting Standards Board, 1994) in paragraph 11.2 strongly advises that reporting entities should include these SSPs in financial information where:

“the entity has non-financial objectives of such importance that non-financial performance reporting is significant to users of the financial report.”

⁹³ For regional councils this has previously been referred to as the “annual report”.

⁹⁴ Department is defined in section 2 of the Public Finance Act 1989 as “. . . any department or instrument of the Government, or any branch or division thereof; but does not include a body corporate or other legal entity that has the power to contract, or an Office of Parliament, or the Public Trust Office, or the Export Guarantee Office.”

⁹⁵ The statements of objectives are included in the forecast financial statements (for regional council this is referred to as the “annual plan”).

⁹⁶ s 35(3)(e), Public Finance Act 1989.

⁹⁷ Changes were made through the Local Government Amendment Act No. 2 1989, as briefly outlined in chapter 3.

Furthermore, Kearney (1994, 5) believes that this lack of specification is an advantage, in stating that the LGA:

“... allows a wider perspective of reporting performance than for some other sectors. In addition to reporting outputs, local authorities may (should?) report on or against outcomes.”

Therefore, there are strong indicators that regional councils should report information using SSPs. Moreover, it is probably *appropriate and relevant* to disclose *RMA requirements* using the SSP.

Financial Reporting Standard 2 (Financial Reporting Standards Board, 1994) states in paragraph 11.1 that “[t]he statement of service performance shall describe and disclose the outputs of an entity. Similar individual outputs may be aggregated.” The commentary also suggests that outputs should be described in terms of relevant and appropriate information about quantity, quality, time, and location, and that the cost of each output should be described and disclosed. Where practical, any outcomes that the output contributed to should also be disclosed and described. The *Financial Reporting Standard 2* (Financial Reporting Standards Board, 1994) further suggests, in paragraph 11.6, that there should be a comparison of projected and actual service performance within the statement. This information would disclose the extent to which objectives have been met.

The *Statement of Concepts for General Purpose Financial Reporting* (New Zealand Society of Accountants, 1993) outlines that when reporting service performance, the most commonly reported non-financial elements include inputs, outputs, and outcomes. These terms are defined in paragraphs 8.2 to 8.4:

Inputs: *are the resources used to produce the goods and services which are the outputs of the reporting entity.*

Outputs: *are the goods and services produced by the reporting entity.*

Outcomes: *are the impacts on, or consequences for, the community resulting from the existence and operations of the reporting entity.”*

Thus, a SSP outlines the inputs required to achieve a given output. These are compared to targets at the beginning of a given period. Outputs are designed to assist in achievement of the outcomes (Goldman and Brashares, 1991). The SSP could be used to describe the performance of a regional council’s *RMA requirements*. A simple example of an SSP is provided below in Figure 4 - 3.

Objective	Target	Input	Output	Outcome ⁹⁸
Reduce river pollution.	Reduce by 5%.	1 000 monitoring hours. Test equipment.	Results recorded for 52 river pollution tests.	10% reduction in river pollution. ⁹⁹

Figure 4 - 3: Example of SSP disclosure of *RMA requirements*.

Kearney (1994, 2) states that:

“[t]he major objectives of SSPs are:

- (1) improved accountability of public sector organisations by providing:
 - a better view of the various activities and functions of public sector organisations.
 - a better understanding of both the organisation as a whole and of individual activities.
 - a wider perspective of performance.
- (2) improved management of public sector organisations and resources by:
 - focusing on objectives and performance to give improved performance.
 - linking activities undertaken to organisational objectives.
 - providing more and better information to serve as basis for improved decision making.”

By disclosing *RMA requirements* using SSPs in the annual plans and annual reports it is likely that the improvements noted by Kearney (1994) would occur.

The SSP uses mainly written information, and complements this with numerical information where appropriate or necessary. Controller and Auditor General (1994, 56) state, in relation to SSPs, that:

“[t]he introduction of graphic or pictorial representation may also enhance the clarity of reporting performance.”

The use of pictorial reports to support disclosure of *RMA requirements* by a regional council is examined.

⁹⁸ The Public Finance Act 1989 requires the disclosure of outputs in an SSP, but does not specifically state that outcomes or inputs should be used for disclosure purposes. Nevertheless, an input and an outcome are included in this example for illustrative purposes.

⁹⁹ In later years, a further outcome may be an improvement in aquatic life and in the surrounding greenery.

4. Pictorial reports

“One picture is worth more than ten thousand words.”¹⁰⁰

“Pictorial” is defined as “illustrated” in the *Oxford Encyclopedic English Dictionary* (1991, 1096) and this could imply many different forms of information, such as: pictures, diagrams, maps, graphs and/or drawings.¹⁰¹ To communicate information pictorial reports may provide a reader with a clearer message than would be apparent if information was provided using one form of expression, such as written information.

Using pictorial reports for disclosure purposes has the advantages that:

- information can be sorted and compared effectively (Jensen, 1976);
- numerical and written information can be combined in one display (Jensen, 1976); and
- information display can be more precise and revealing than say, a list of numerical data (Tufte, 1983).¹⁰²

However, using pictorial reports for disclosure purposes has the disadvantages that:

- it can be subjective to make a comparison between entities (Jensen, 1976); and
- it can be perceived as information which has been manipulated (Tufte, 1983).

Tufte (1983, 180) notes that written and numerical information can add to the richness of graphical data, in fact “[w]ords and pictures belong together”. However, pictorial reports should only be used where it is appropriate, because:

“[w]hat is to be sought in designs for the display of information is the clear portrayal of complexity. Not the complication of the simple; rather the task of the designer is to give visual access to the subtle and the difficult — that is, the revelation of the complex.” (Tufte, 1983, 191).

Pictorial reports could be used to disclose information about *RMA requirements* in annual plans and annual reports, which may mean that the information is easier to interpret. For example, a graph could detail the quantity of discharges into a river that is monitored by a regional council. The years could be detailed on the horizontal axis with quantity on the vertical axis. The consumption could be represented with bars, as shown in figure 4 - 4.

¹⁰⁰ Anonymous Chinese proverb, quoted in Jensen (1976, 103).

¹⁰¹ Hereafter, referred to as pictorial reports.

¹⁰² Tufte (1983) discusses and provides examples for various graphical displays of information.

For additional impact, a faucet (for *total* discharges) could be included on each year (the size of the faucet would vary according to the quantity discharged).

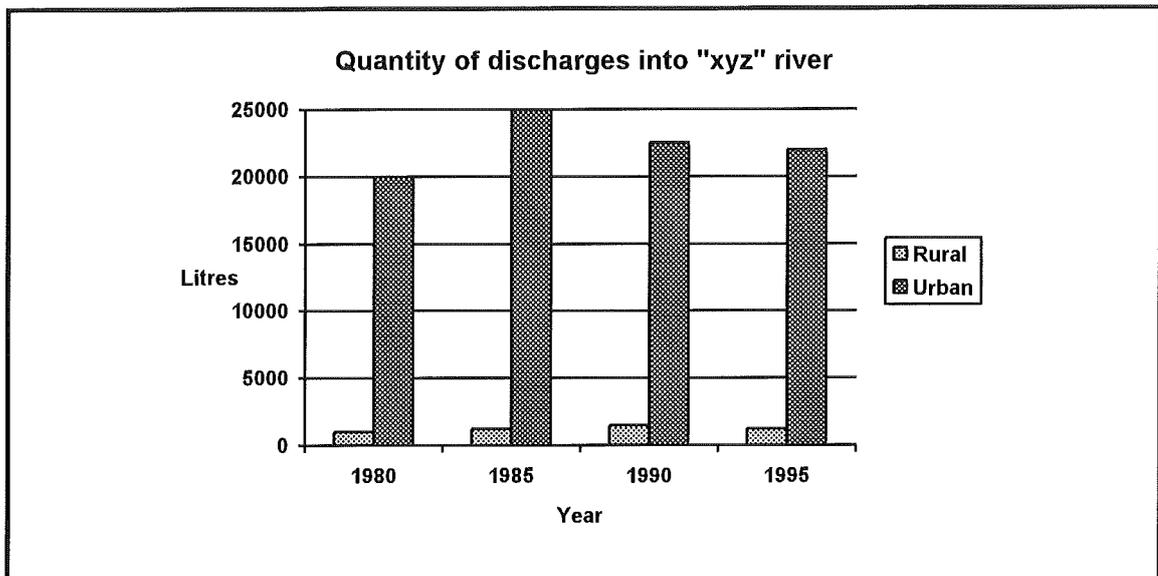


Figure 4 - 4: Example of a pictorial report for disclosure of *RMA requirements*.

The following discussion will recommend a form of disclosure appropriate for disclosing *RMA requirements*.

5. Recommended form of disclosure

The above review discussed four different ways that information could be disclosed. The review also highlights the fact that one form of disclosure can rely on another to express information effectively. For example, figure 4 - 4 uses both written and numerical information to explain the information contained in the graph, which is an example of a pictorial report. Possibly further written information could be added to a document containing such a graph, and may provide information about the sorts of discharges that are being emitted into the river. Each form of disclosure has its advantages and disadvantages, and the above review does not indicate which form(s) would be most appropriate for the disclosure of *RMA requirements* in annual plans and annual reports.

However, Tracy and Jean's (1993) study of Portland's "service efforts and accomplishments report" found that information is portrayed using mixed forms of disclosure, including: a form which appears to be similar to SSPs, numerical data, written information, and pictorial reports. They recommend having reports that:

- focus on improvement;
- are useful to managers and the public;

- use existing information — and coordinate and link this with other reporting;
- limit the amount of reporting (do not overload the reader);
- are simple and clear.

The organisation studied by Tracy and Jean (1993) appears to be similar to New Zealand's regional councils (they are both divisions of local government). Therefore, it may be advantageous for regional councils to use a variety of means to disclose information about *RMA requirements* in annual plans and annual reports. Furthermore, Tufte (1983) and Lamson (1973) agree that multiple methods of disclosure are best for presenting information.

This implies that there various ways that information can be disclosed about *RMA requirements* and that no single form (such as written information) will provide the reader with adequate disclosure. Each method has its advantages and disadvantages — therefore a mixed approach is suggested. Moreover, often the decision about how certain information would be best disclosed will depend upon a specific situation.

E. Conclusion

This chapter has outlined issues relating to the disclosure of *RMA requirements* in annual plans and annual reports. First, there was a discussion concerning the compliance costs associated with compiling and presenting this information. It was found that disclosure of this information has a positive effect on the community by allowing the public to have better access to information. This may also enhance the public's ability to react quickly to requirements under the RMA.

This chapter also discussed different forms that can be used to disclose *RMA requirements* in annual plans and annual reports. Four different forms of disclosure were discussed and illustrated, including numerical data, written information, pictorial reports, and the statement of service performance. The literature examined suggests that mixed forms of disclosure are preferable.

With an aim to investigate the impact of the RMA on the provision of information by regional councils in annual plans and annual reports, the literature review in chapters 2 to 4 established three research questions, namely:

- How does the public know the extent to which a regional council has made progress towards objectives as outlined in regional plans and policy statements and the other duties of regional councils (in sections 32 and 35 of the RMA)?
- Are annual plans and annual reports the appropriate vehicles for disclosing a regional council's progress made towards objectives as outlined in regional plans and policy statements and the other duties of regional councils (in sections 32 and 35 of the RMA)?
- What form or forms of disclosure are appropriate for disclosing this information?

Chapter 5 details the research method used to investigate these research questions.

5. Research Method

A. Introduction

An exploratory research technique (namely, a literature review) was used to investigate the research problem, namely:

Has the Resource Management Act 1991 had an impact on the provision of information by regional councils in annual plans and annual reports?

The issues highlighted in the literature review can be tested using empirical research. Initially, this chapter examines scientific methodology to establish whether the scientific method can be used to investigate the research problem.

This examination assists in finding the most appropriate way to investigate the research problem, that is, a mail survey of the entire population, and interviews with two respondents. In relation to this research problem the advantages and disadvantages of both an interview and a mail survey are studied. Finally, the chapter outlines how the results were gathered and analysed.

B. Research methodology

The literature review for this investigation has not revealed any prior research (empirical or non-empirical) specifically addressing the research problem. The research problem has been investigated using one exploratory research technique, namely a study of the literature (Emory and Cooper, 1991). Exploratory research allows the researcher to learn something about new or vague problems (Emory and Cooper, 1991). This literature review highlighted many issues and, for some of those issues, made recommendations. For example, the LGA and the RMA do not provide clear legislation about how to inform the public on *RMA requirements* — it was recommended that this issue be addressed by amending the legislation to make it clearer.

Henderson and Peirson (1983, 36) note that “[n]ormative theories of accounting recommend or prescribe courses of action or behaviour...”. Normative theories do not

involve hypothesis testing (Henderson and Peirson, 1983). Therefore, the literature review has developed a normative theory, which can be empirically tested, using the scientific method. An example of scientific method is a survey. However, it is necessary to find out which scientific method is appropriate to investigate this research problem. Studying scientific methodology allows a researcher to determine whether the research problem can be investigated using scientific method. Methodology is defined in the *Oxford Encyclopedic English Dictionary* (1991, 913) as: “1 the science of method.” Thus, scientific methodology is the study of scientific methods. There are various views of scientific methodology including: induction, Popper’s falsificationism, Kuhn’s paradigms and revolutions, and Lakatos’ research programmes.

1. Induction

Induction derives theories or laws from a series of observations (Chalmers, 1991). These theories or laws, by deduction, allow predictions and explanations to be made about future observations (Chalmers, 1991). Chalmers (1991, 7) presents this diagrammatically, as reproduced in Figure 5 - 1.

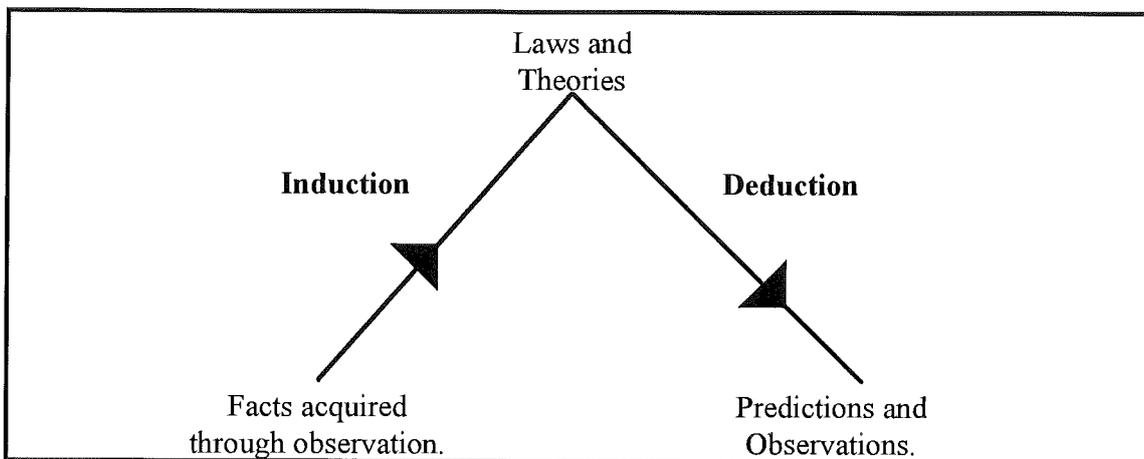


Figure 5 - 1: Chalmers (1991, 7) explanation of induction and deduction.

However, induction has been argued to be philosophically unacceptable, as Henderson and Peirson (1983, 15)¹⁰³ indicate: “. . . induction is unacceptable because it relies upon induction.” This is circular reasoning. Therefore, induction may not apply to this research problem.

Furthermore, Henderson and Peirson (1983, 13) state that:

¹⁰³ The philosophical arguments regarding the “problem of induction” are beyond the scope of this study. For further information refer to Chalmers (1991), Henderson and Peirson (1983) and Mattessich (1978).

“[t]he inductivism interpretation of the scientific method assumes that hypotheses are *confirmed* by research. Under this approach a scientist commences with a problem that he wishes to solve. It may be based upon a hunch, upon some casual observation or upon accumulated knowledge.”

Therefore, to be able to apply induction to a research problem there must be a hypothesis that can be tested. Since this research problem has developed a normative theory (which does not involve hypothesis testing), then induction cannot be applied to this research problem.

Popper’s falsificationism is another scientific methodology that may apply to this investigation of the research problem.

2. Popper (falsificationism)

This scientific methodology developed from dissatisfaction with induction (Henderson and Peirson, 1983). Popper believed that hypotheses could not be proved, but only falsified. Henderson and Peirson (1983, 17) elaborate:

“Scientific theories according to this interpretation are hypotheses which have not yet been falsified. Theories are neither true or factual but merely not yet shown to be false.”

Popper’s scientific methodology does not apply to this research problem since the literature developed a normative theory, that is it has not yet established any hypotheses. However, Kuhn offers another interpretation of scientific methodology.

3. Kuhn (paradigms and revolutions)

Kuhn describes scientific progress as being more complex than induction or falsificationism. Rather, science is described as a paradigm or a revolution. That is, research is in paradigms which must move from one to another, as a revolution. This means that science progresses through different stages. Henderson and Peirson (1983, 19) state that:

“Kuhn saw science as an open-ended progression beginning with pre-science followed by normal science, crisis, revolution, new normal science, new crisis and so on. The pre-science period represents that period when there are no generally accepted ideas or procedures.”

This research problem is not in a paradigm and therefore cannot move to another paradigm by a revolution. However, this research problem is currently in the pre-science stage (as described by Kuhn) because this research is exploratory — there are currently no generally accepted ideas in the area. Since Kuhn considers the pre-science stage to be “science”, then Kuhn’s scientific methodology applies to this research problem. This means that it is possible to use the scientific method to study the research problem.

Lakatos proposes a scientific methodology based on scientific research programmes.

4. Lakatosian research programmes

Lakatos suggested that:

“... a scientific theory was a structure consisting of some fundamental assumptions called a ‘hard core’ and a set of hypotheses called a ‘protective belt of auxiliary hypotheses’.” Henderson and Peirson (1983, 21).

A person studying a research programme questions the hypotheses but does not question the hard core assumptions. If the hard core assumptions are questioned then the researcher is working on a different research programme, which is inviolate or unfalsifiable. The theory further outlines that agreement not to question the hard core is described as the “negative heuristic”. Henderson and Peirson (1983, 21) state that:

“[t]he ‘positive heuristic’ is surrounding hints or clues about how the scientist may work in the ‘positive belt of auxiliary hypotheses’. Scientists who work on these auxiliary hypotheses are said to be participating in ‘the research programme’. The word ‘heuristic’ means serving to discover and, therefore, an heuristic view of science emphasises the discovery of new phenomena.”

The Lakatosian research programme could apply to this research problem because there is already an established need to report on the environment. The arguments of various authors were presented in chapter 3, which included some empirical research by Orr (1994). The need to report the environment has also been established in the social accounting literature.¹⁰⁴ Chua (1988) supports this with the belief that “social accounting” is a hard core assumption. Chua (1988, 20) states that:

“[t]he basic premise of social accounting is . . . the need for corporate accountability to identify, measure and report social impacts. Surrounding this are hypotheses to

¹⁰⁴ Some references to social accounting literature are provided in chapter 4.

fulfil this need — to formulate valuation standards, measurement methods, and reporting procedures.”

Chapter 4 suggests that reporting *RMA requirements* in annual plans and annual reports can be considered to be a subset of social accounting. Thus, in the context of this study, social accounting has already established a need to report the environment (the hard core). Studying the research problem could add to the positive heuristic by establishing whether the RMA creates a need to report on the environment in the annual plans and annual reports of regional councils. Therefore, Lakatos’ scientific methodology applies to the research problem, because it is working within a research program and is adding to the positive heuristic.

In summary, inductive and Popperian scientific methodology do not apply to this research problem. However, Kuhn’s scientific scheme applies because it is in pre-science stage, and Kuhn considers this stage to be science. Furthermore, it can be argued that the research problem is adding to the positive heuristic of a hard core assumption in a Lakatosian research programme. Since two scientific methodologies apply to this research problem, then it can be researched using the scientific method, as examined below.

5. Scientific method

Before establishing the most appropriate scientific method for investigating this research problem it is important to note some other advice. Hines (1988b, 660) warns that:

“... to believe that there is a single ‘ideal’ methodology, and/or to finally judge theories against such a methodology, is ill-advised.”

Further to this Feyerabend¹⁰⁵ argues that there is no scientific methodology (Feyerabend, 1981). If these opinions were noted then none of the scientific methodologies outlined above can be used to support the use of a scientific method. However, the scientific method can still be used to investigate the research problem, without support from a scientific methodological argument (Van der Linden, 1986).

¹⁰⁵ The paper discusses the “faults” of each scientific theory in depth, and why they are not scientific methodologies. However, details of this discussion are beyond the scope of this study.

It has clearly been established that the research problem can be investigated using a scientific method despite philosophical disagreement about scientific methodologies. Kerlinger (1973)¹⁰⁶ describes the scientific method as:

“a systematic, controlled, empirical investigation of a set of hypotheses derived from a theoretical structure. In brief, the researcher following the scientific method first builds a theoretical construct that helps explain behaviour (of children, stocks, or whatever is under consideration) and then verifies his/her hypotheses by empirical testing.”

To apply the scientific method, Bunge (1967, 9) has outlined the different stages involved in scientific research. These include the following sequence of operations:

1. Ask well-informed and likely fruitful questions.
2. Devise hypotheses both grounded and testable to answer the questions.
3. Derive logical consequences of the assumptions.
4. Design techniques to test the assumptions.
5. Test the techniques for relevance and reliability.
6. Execute the tests and interpret their results.
7. Evaluate the truth claims of the assumptions and the fidelity of the techniques.
8. Determine the domains in which the assumptions and the techniques hold, and state the new problems raised by the research.”

Bunge (1967, 9) represents this cycle schematically, reproduced in Figure 5 - 2 below.

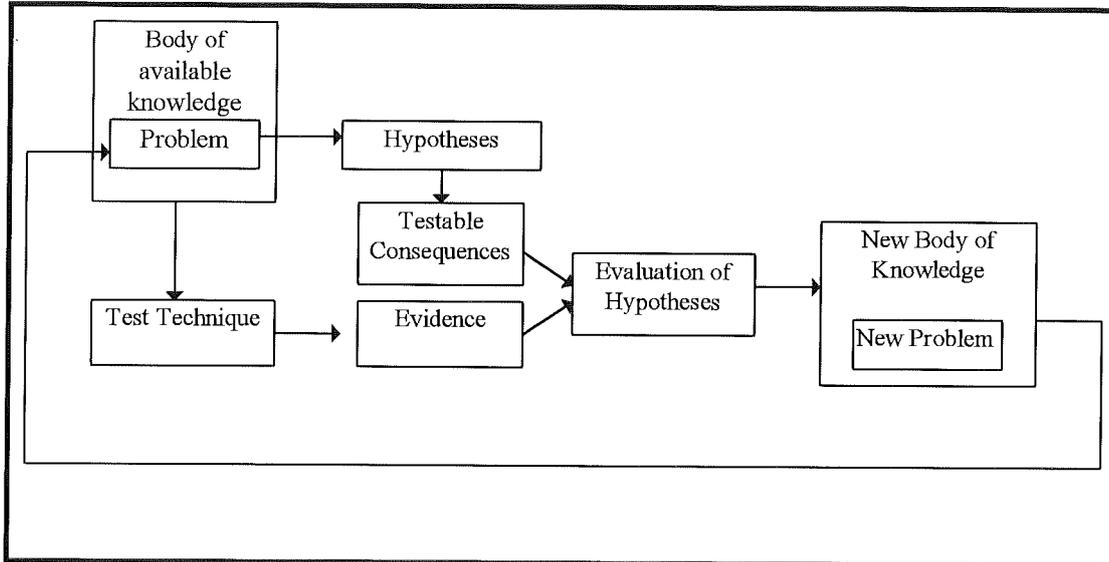


Figure 5 - 2: A research cycle of the scientific method.

Thus, it is important to establish where the research problem can be applied in this sequence, so that an appropriate method or methods for an investigation can be selected.

¹⁰⁶ Quote drawn from Abdel-Khalik and Ajinkya (1979, 9), who summarise Kerlinger (1973).

Abdel-Khalik and Ajinkya (1979) note that one researcher seldom completes all stages in Bunge's sequence, instead they contribute to the sequence. The literature review has highlighted unanswered questions related to the research problem. Therefore, in terms of Bunge's (1967) sequence of operations this research asked well informed and likely fruitful questions so that hypotheses can be developed for further research.¹⁰⁷

For the purpose of investigating the research problem, several research methods were considered,¹⁰⁸ and since Bunge (1967) has outlined that it is important to "ask well-informed" questions, therefore the most appropriate method for this research problem is a combined survey method,¹⁰⁹ namely mail surveys followed by interviews. The reasons for selecting this research method are examined below.

C. Research Method

This approach will be studied in depth, beginning with an examination of the population selected.

1. *The selection of a population*

The persons approached for this research were accountants, within the regional council, responsible for preparing annual plans and annual reports. The reasons regional councils were chosen are outlined. Firstly, a regional councils accounting systems may be strongly affected by the RMA. Regional council's have explicit planning responsibilities under the RMA and have a pivotal role in resource management administration (Department of Statistics, 1992) and these duties are part of the promotion of sustainable management of natural and physical resources (as required for every person by section 17 of the RMA). Therefore, the regional council's activities are strongly based within the RMA, and chapter 3 argued that, for regional councils, there is logical link between accounting and the RMA.

Secondly, the population can be defined from the legislation. Regional councils are defined in section 2 of the RMA, which states that a regional council:

¹⁰⁷ For a discussion of opportunities for further research, developed from this research, see chapter 7.

¹⁰⁸ The following research methods were considered but not used: case studies, content analysis and experimentation. For further details see Emory and Cooper (1991), because in-depth examination of these is beyond the scope of this study.

¹⁰⁹ There are three general types of surveys: mail surveys, personal interviews and telephone interviews (Abdel-Khalik and Ajinkya, 1979; Emory and Cooper, 1991; Shaughnessy and Zechmeister, 1994).

“has the same meaning as in the Local Government Act 1974, and includes the Chatham Islands County Council.”

Section 2 of the LGA states that “ ‘Regional Council’ means a regional council specified in Part I of the First Schedule to this Act.” The Schedule names these regional councils as: Auckland, Bay of Plenty, Canterbury, Hawke’s Bay, Manawatu-Wanganui, Northland, Otago, Southland, Taranaki, Waikato, Wellington and West Coast. This would have made the sample size 13. However, Unitary Authorities have dual functions: as a regional council and a district council. There are 4 unitary authorities in New Zealand, the Gisborne District Council, Tasman District Council, Nelson City Council, and Marlborough District Council. The population included: the Unitary Authorities, the Regional Councils, and the Chatham Islands County Council (a population size of 17).

Thirdly, opinions can be gathered from all geographical areas. It is important to address this population to ensure that any environmental issues are addressed on a nationwide basis. Finally, 100% of the population can be tested because it is a relatively small population. It was necessary to set out these reasons as they have influenced the research method used.

2. Research method used

A research method should be selected by comparing the strengths and weaknesses of each method to the research problem (Emory and Cooper, 1991). Each type has advantages and disadvantages, and as such no one way is the “best” for all circumstances. The choice is made by the researcher and it depends upon the nature of the research problem (Shaughnessy and Zechmeister, 1994). Further, where no survey method is appropriate for the research questions the researcher may opt for a mixed mode, where, say, two survey types are used (Emory and Cooper, 1991). Furthermore, Dane (1990, 135) states:

“[m]ixing methods, normally not a good idea in research, can be extremely beneficial in survey research.”

As previously stated this study opted for a “mixed mode” survey method, using personal interviews and mail surveys. The mail surveys were sent to the accountants who coordinate and/or prepare the annual plans and annual reports for all regional councils, and two personal interviews were held with two non-randomly selected respondents. The personal interviews allowed more depth of information to be gained. Obtaining information using

two research methods allows the weaknesses in one mode to be complemented by the strengths in the other mode.

a. Mail survey

A mail survey allows the researcher to contact persons who may otherwise be difficult to contact (Emory and Cooper, 1991). This may help to establish contacts with a high degree of knowledge or interest in an area or who may be able to participate in a more detailed study. Establishing contacts is an important part of exploratory research (Emory and Cooper, 1991). This was an important consideration since the research problem has not been addressed in depth.

A mail survey has several advantages. From the respondent's perspective, a mail survey is perceived to have greater anonymity (Dane, 1990; Emory and Cooper, 1991) and they can take greater time and care in formulating replies (Emory and Cooper, 1991).

From the researcher's perspective there are several advantages to using a mail survey. It allows contact to be made with persons where it is difficult to do so (Emory and Cooper, 1991),¹¹⁰ and it is the most administratively effective method for the researcher (Dane, 1990). Furthermore, the mail survey is the lowest cost option of all survey methods (Dane 1990; Emory and Cooper, 1991), which is important because of the limited financial resources available for this research. In terms of respondent contact the mail survey consumes the least amount of the researcher's time (Dane, 1990; Emory and Cooper, 1991). Finally, a mail survey is suitable when there is a wide geographic spread of the population (Emory and Cooper, 1991). It is important to save cost and researcher time especially with this population because it is geographically widely spread.

However, there are disadvantages to using mail surveys. A mail survey does not allow for interviewer input, therefore it is not possible to probe for information or clarify a response (Emory and Cooper, 1991). The personal interviews allow the researcher to partially avoid this problem. Another problem with not having an interviewer is an increased chance that questions may be misunderstood or of receiving incomplete answers (Dane, 1990). To avoid this situation the survey was designed to ensure that instructions were clear and questions were concise (Dane, 1990), as detailed later in this chapter.

¹¹⁰ When follow-up contact was made with non respondents some were difficult to contact.

Generally, it is not possible to gain depth of information using a mail survey (Emory and Cooper, 1991). Therefore it was necessary to ensure that the questions in the survey instrument were focused on the research problem, and were short and simple.

Finally, response rates tend to be lower (Dane, 1990; Emory and Cooper, 1991) because of the ease of refusal to participate, however there have been methods developed to increase the response rate (Dane, 1990). These methods were assessed and action was taken to increase the response rate, as detailed later in this chapter.

A mail survey gathers breadth of information (Emory and Cooper, 1991) and aims to establish a foundation upon which to build. This has three important advantages relating directly to this research problem. Firstly, the mail survey will assist the interview process by allowing the researcher to find knowledgeable and willing participants (Emory and Cooper, 1991). Secondly, comments stated or opinions voiced in the mail survey could help establish further questions for the personal interviews. Finally, any information obtained from both the interviews and the mail survey may highlight areas where further research is necessary.

b. Personal interviews

The wide geographic spread of respondents and the time and budget constraints made it impossible to interview all respondents.¹¹¹ The main reason for interviewing two respondents was to follow up information obtained in the mail surveys, by clarifying responses or obtaining further information. By not interviewing all respondents the results of the surveys cannot be applied to the whole population.

Therefore, a balanced view would ideally have been obtained by:

- having a South Island and a North Island respondent;
- having a rural and urban perspective; and
- ensuring that respondents had differing views

On the whole this was achieved, because one respondent was from a rural area and the other from an urban area; the surveys indicated that these people had very different views. However, it is often difficult to find willing interview participants (Emory and

¹¹¹ High cost and time consumption are two disadvantages with using an interview (Emory and Cooper, 1991). This occurs in this population because of the wide geographic spread.

Cooper 1991).¹¹² Therefore, the two respondents were selected based on their interest in the issues and their willingness to participate, although a compromise had to be made — both respondents were from the same¹¹³ Island.

Furthermore, both interviews were held at the regional councils. A face to face interview should obtain more or better information, and establish higher trust between the interviewer and interviewee. This was considered to be the case because Emory and Cooper (1991) note that in a telephone interview, visual aids cannot be used, body language cannot be observed, and there is less rapport.

There are several advantages and disadvantages to using interviews. Since the interview is being used as a follow-up to a mail survey then the relevant advantages and disadvantages will be highlighted. Furthermore, the interview process allows the respondent to probe for further information and for the interviewer to clarify the meaning of a question (Emory and Cooper, 1991). The interview responses may allow any apparently unclear survey responses or questions to be clarified. Furthermore, there is usually good cooperation from respondents towards an interviewer (Emory and Cooper, 1991). This should enhance the type of information gained in relation to the survey responses and may indicate what thought lies behind an answer.

A disadvantage of using interviews to gather information is that the interviewer can bias the respondent or ask leading questions. The interview was designed to avoid this as much as possible, as is detailed later in this chapter.

In summary, the research method selected was a mail survey with follow-up interviews of two respondents. This does not mean this is the only way, however for this particular research problem the decision was made by considering several factors, namely:

- the advantages and disadvantage of the survey methods;
- the physical constraints (time and money);
- the nature of the research problem (exploratory); and
- respondent constraints (availability and location).

This approach was carried out in the following way.

¹¹² One potential interview candidate was very keen to participate in the study. However, when later contacted to confirm a time and place for that interview that person was too busy. This confirms the disadvantage noted by Emory and Cooper (1991).

¹¹³ Whether the respondents were from the North or South Island is not disclosed, to ensure confidentiality.

c. Procedure for gathering results

There were several stages used to carry out the research, including designing the survey instrument and the follow-up procedures, selecting the interviewees and carrying out the interviews.

i. The survey instrument

A sample of the survey instrument has been provided in Appendix One and this section details the process used to draft the survey instrument. The aim of the instrument was to gather relevant information. To do this the questions posed in the survey related to the research problem, and to the research questions raised in the literature review. The questions were grouped into seven distinct sections.

Furthermore, the survey aimed to be short, and this was achieved by limiting the number of pages and questions. Knowing there could be no interviewer input, it was also important to ensure that the questions were understood. Therefore several techniques were used, including:

- writing questions clearly and concisely;
- providing a definition where a crucial word might be interpreted in several ways. For example, the word “accountability” was defined.
- replacing several words with the phrase *RMA requirements*. Using this phrase prevented too many words being used.¹¹⁴

The layout of the survey encouraged the respondent to fill it in. This was achieved by:

- leaving a lot of blank space on the pages;
- clearly showing the reader where to place the answer to a given question;
- ensuring that there were instructions for each question type throughout the survey;
- ensuring that fonts were easy to read.

The questions asked used several techniques, including:

- six questions requiring a yes/no response;
- providing space to specify other alternatives;
- one open-ended question, for any general comments; and
- Likert scales.

¹¹⁴ Refer to the survey instrument for details of how this was used.

Likert scales were the principle technique used to ask questions. A seven-point Likert scale was used, because Green and Rao's (1970) study found that the six or seven-point Likert scales are preferable. A seven-point scale gives the respondent more choices for voicing their opinion. Furthermore, the Likert scales and the yes/no questions make it easier to analyse the results. Finally, the questions were phrased to reduce the introduction of bias, by making "statements" and asking for a negative or positive response. Bias was also avoided by carefully ordering the questions.¹¹⁵

The survey was sent out with a covering letter. This letter introduced the researcher, explained the nature of the research, assured confidentiality, and encouraged the respondent to fill in the survey. An incentive, the right to go into the draw for a \$60 music voucher, was offered to respondents who returned the survey by a certain date. The inclusion of the covering letter also provided respondents with information about how to contact the researcher.

To ensure that the survey instrument and covering letter were easily understood, drafts were pre-tested by independent persons. These persons included colleagues in the Department of Accountancy, Finance, and Information Systems at the University of Canterbury, New Zealand; and some non-academic persons. They were asked to criticise for content (that is, were any questions biased?), understandability, and layout within the document. All points raised were considered and the survey instrument adjusted. This process was carried out in two stages which meant that any errors and bias could be minimised.

The instrument was mailed to addresses obtained from the *Local Government Directory* (1995). The letter was addressed to the person who coordinates or prepares the annual plans and annual reports. The initial mail-out was on 23 August 1995, and included a self-addressed prepaid envelope.

After the initial mail-out follow-up procedures were used.

ii. Follow-up procedures

Follow-up procedures were used to maximise the response to the survey. Respondents were reminded that the survey had not been returned, using:

¹¹⁵ For example, respondents were asked how they were currently disclosing *RMA requirements*, before they were asked how they should be disclosing *RMA requirements*.

- one follow-up letter (posted on 11 September 1995); and¹¹⁶
- telephone calls (after 22 September 1995).

If telephoned, the person contacted was the same person the letter was addressed to. That person was asked whether they would be returning the survey or why they could not. The response rate and reasons for non-response are detailed in chapter 6.

iii. Selecting interview candidates and carrying out the interviews

Interviewees were selected:

- based on their perceived level of knowledge of the issues and their willingness to participate. These persons are more likely to provide helpful and informative information.
- to ensure that a balanced view was obtained (as outlined previously). Furthermore, some results in the mail survey were polarised and an in-depth view from each extreme was sought.

By analysing the surveys, issues were raised that could be addressed in the interviews. Interview questions adopted the same structure as the questions in the mail survey and the interviewee was asked why they had made their choice. Both the interviewer and the interviewee could see a copy of the completed mail survey and were familiar with it. This approach was adopted because it could:

- obtain in-depth information which would not be available in the completed survey instruments;
- assist the interviewer in phrasing questions. It is important to phrase questions neutrally to avoid the introduction of bias;¹¹⁷
- find out if any questions in the mail survey were difficult to interpret.

The interviews were held face to face at the regional council in an effort to keep the candidates at ease by being in their own environment. They took approximately 70 minutes each. Furthermore, the seats were arranged so that neither party was perceived as being dominant. The interviewees were assured of confidentiality. The interview data was captured with a tape recorder (with permission of the interviewee) and with brief written notes.

¹¹⁶ This letter extended the draw for the \$60 music voucher by one week, to the 22 September 1995.

¹¹⁷ The interviewer was also aware that it is possible to introduce bias into the interview process, which, in turn, hindered the introduction of bias.

D. Analysis

1. Mail survey

The seven sections in the survey were split up into sub-parts to allow for easy computerised analysis. The first part of the analysis was performed using Microsoft Access, which is a database package, where the user may design their own databases. “A *database* is a collection of data”, and “with Microsoft Access, you build a *relational database* that stores related data in one place.”¹¹⁸ All answers to given question can be viewed together. Using Microsoft Access a customised *form* was created on screen and was used for entering individually completed surveys. The compiled data was “exported” to Microsoft Excel (a spreadsheet package), and simple mathematical calculations were performed.¹¹⁹

2. Interviews

The taped interview data was transcribed. This written material was then compared to the information obtained in the mail surveys. Any information obtained in the interviews was noted, where:

- it illustrated why an opinion was offered in the survey;
- it added to the information obtained in the survey; or
- it highlighted areas where further research could be conducted.

The information obtained in the interviews was easy to structure because the interviewees were asked for their opinions about their answers to the survey questions. Furthermore, they were asked questions in the same order as the surveys.

E. Conclusion

This chapter established that the most appropriate way to investigate the research problem is to examine scientific methodology. It was found that Kuhn’s pre-science stage of science applies to this research problem. Lakatos’ research program also applies by adding to the positive heuristic of the hard core in social accounting literature. Since these

¹¹⁸ These quotes have been drawn from the “help” system in Microsoft Access.

¹¹⁹ While Microsoft Access could have been used to do these calculations, the researcher was more familiar with Microsoft Excel, and therefore the necessary calculations were performed with greater ease.

research methodologies apply there is an indication that the research problem can be investigated using the scientific method.

This examination has found that surveys (of the entire population) with follow-up interviews of two respondents was appropriate for investigating this research problem. The interviews were only conducted at two regional councils which means that any information obtained cannot be applied to the entire population. The interviews can only be used to expand on information obtained from the surveys and highlight areas for further research. This chapter has also outlined how the surveys and interviews were developed and implemented. Finally, the chapter detailed how the results were analysed.

The following chapter details the results obtained from this study.

6. Analysis and Results

A. Introduction

Chapter 5 outlined the research method used in this study and this chapter outlines the results. The results obtained from the interviews and the surveys are presented in relation to issues in the literature review. The response rate is outlined, then the results are grouped in three areas. The first area establishes how regional councils currently disclose and display *RMA requirements*, using any form of disclosure (for example, allowing access to information in the regional council's office). The second investigates how the regional council should disclose *RMA requirements* in annual plans and annual reports (this area is labelled "preferred disclosure"). Finally, general comments are reviewed.

To reiterate, the literature review makes reference to *RMA requirements*.¹²⁰ This phrase encompasses two distinct issues (as outlined in chapter 2):

- **RMA requirement I:** Progress made towards objectives as outlined in regional plans and policy statements; and
- **RMA requirement II:** The provision of information about decisions made in relation to sections 32 and 35 of the RMA.

Both *RMA requirement I and II* were dealt with separately in the survey, therefore these results are presented separately. This chapter will also refer to both issues by stating "*RMA requirements*".

B. Response rate

A response rate of 100% was achieved, however only 76% (13 surveys) were useable. The follow-up procedures increased the response rate from 47% (8 surveys). Of the non-useable surveys, one respondent stated that the council was too small to answer *any* surveys, while three others stated that they were too busy to fill in the survey. All of the

¹²⁰ To administer the survey, as previously stated, the survey instrument used a word replacement technique to reduce verbosity. The interviewees commented that the use of this technique was clear, and that they had not had any problems interpreting the questions.

unusable responses originated from regional councils which have a small number of staff members and are from rural areas. This may bias the results.¹²¹ The results and analysis are based on a 76% response rate.

The first section of the results are outlined, and relate to information currently disclosed.

C. Information currently disclosed

Respondents were asked how information is *currently* provided to the public about *RMA requirements*. These questions aimed to find out how the public are informed about the achievement of *RMA requirements* by regional councils. These questions asked respondents how the regional council currently provides information using *any* form of disclosure.

1. Document preparation

Respondents were asked whether they prepared the regional plans and policy statements (compulsory documents) and any other optional regional plans. The requirements for these documents were reviewed in chapter 2. All councils prepare the compulsory documents as shown in Table 6 - 1.

Does the regional council prepare	No	Yes
Regional Policy Statement	0	100%
Regional Coastal Plan	0	100%
Other Regional Plans	0	100%

Table 6 - 1: The regional policy statements and plans which regional councils prepare.

Table 6 - 1 also shows that all respondents prepare *optional* regional plans.

¹²¹ It is possible to make statistical adjustments (Fowler, 1993) for non-responses. This could be done by comparing the results before and after the follow-up procedures, which may indicate whether the non-respondents have biased the results. However, statistical tests were not performed because this is a very small population which may not meet a simple requirement for statistical testing, namely the population may not be normally distributed (due to the population having many variables, such as size and location). Furthermore, there is already an indication that the population may be biased due to non-response.

2. Disclosure of RMA requirement I

Chapter 2 highlights several different possibilities for disclosing information about *RMA requirement I* to the public. Respondents were asked the extent to which they currently provide information on progress made towards objectives as outlined in regional plans and policy statements, by presenting them with these possibilities. The results are shown in table 6 - 2, below. This table (and every table, hereafter) presents the results, using two consistent facts:

- the information is presented using a 7-point Likert scale. Appendix one contains a copy of the survey, where examples of the Likert scales used can be viewed. All scales are labelled from 1 to 7. The left side of the scale allows for a negative response and the right side for a positive response;
- the numbers within the tables, for a given category, add up to 13, with each digit representing one respondent's chosen category.

The Likert scales are expressed using written information. This written "interpretation" is used consistently throughout this chapter, but others may interpret the values in the tables differently. Hence, the raw data has been provided in the tables to allow readers to make their own judgement(s). Firstly, the tables which use the scale "not at all" to "extensively", have the following words ascribed to the values: *not at all* (number 1), *very little* (numbers 2 and 3), *to some extent* (numbers 4 and 5), and *extensively* (numbers 6 and 7). Secondly, the tables which use the scale "strongly disagree" to "strongly agree" have the following words ascribed to the values: strongly disagree (numbers 1 and 2), disagree (number 3), neutral (number 4), agree (number 5), and strongly agree (numbers 6 and 7).

What is the extent to which your regional council currently provides information on <i>RMA requirement I</i> on each of the following?	No Response	Not at all					Extensively	
		1	2	3	4	5	6	7
• Allowing access to information stored at the regional council office					1	2	7	3
• Including notices in prominent places in a public newspaper or the <i>Gazette</i>				1	1	2	6	3
• Sending out circulars to each constituent in the community		1	2	1	1	4	2	2
• Issuing a separate annual document		1	3	1	4		1	3
• Publishing annual plans and annual reports	1		1	1	2	1	4	3
• Other	10					3		

Table 6 - 2: How a regional council currently provides information on *RMA requirement I*.

Table 6 - 2 outlines, how and the extent to which respondents are currently providing information on progress made towards objectives (as outlined in regional plans and policy statements). All respondents state that regional councils allow access to information stored at the regional council office, with 77% providing this information extensively, and 23% providing the information to some extent. The interviewees¹²² indicated that regional councils are freely providing this information to ratepayers because it is being collected on their behalf, therefore, if a person contacts a regional council then they can obtain precisely the information they require (providing it is available and not protected for commercial sensitivity reasons). Information can either be posted out or viewed at the regional council, but this is dependent upon the type and volume of information required.

Respondents provide information about *RMA requirement I* in prominent places in a public newspaper or in the *Gazette*, either extensively (69%), to some extent (23%) or very little (8%). The second interviewee stated that the regional council used the *Gazette* very little, but uses public notices extensively. The interviewees noted that public newspapers are an excellent way to inform the public of an opportunity to view a new regional council document, or to inform them about activities of the regional council (for example, public notices of meetings). Respondent opinion differed when asked whether their regional council sends out circulars to each constituent in the community about *RMA requirement I*. One respondent did not use this method at all, 23% use it very little, 38% use this method to some extent, and 31% use this method extensively. The first interviewee stated that circulars are seldom sent to *all* constituents (if done, it is on a quarterly or an annual basis), and that sending circulars to all constituents is restricted for financial reasons. The second interviewee stated that the regional council sends a quarterly circular to a targeted group and uses the newspaper extensively.

The results were mixed in regard to whether the regional council currently provides information in a separate annual document on *RMA requirement I*. The information is provided extensively (31%), to some extent (38%), very little (23%), and not at all (8%). The regional councils who produce the report do so on a voluntary basis and it discusses the current state of the environment. The councils call these documents by different names, for example the: “Regional Environment Report” or “State of the Environment Report”. The first interviewee stated that this type of reporting allowed a regional council to target reporting — persons are provided with specific, rather than generalised, information. This

¹²² Any information gathered from the two interview candidates is referred to together as “interviewees”, or where necessary, separately as the “first” or “second” interviewee.

separate report is produced annually but its completion does not coincide with the annual report. Furthermore, this report is not required by law, but “[t]he council decided that is was a useful thing to do.” The second interviewee stated that the regional council does not currently prepare a separate annual document, but believed that it was a good idea, and that they were planning to prepare one in 1996.

Differing amounts of information are being provided in annual plans and annual reports about *RMA requirement I*. One person did not respond to this question, two respondents disclosed some information, three respondents provided information to a medium extent, with the majority (54%) providing this information extensively. The other respondents provide this information: to some extent (23%), or very little (15%) and one person did not respond to this question. The interviewees stated that regional councils were providing some information in the annual plans and annual reports about progress made towards objectives (as outlined in regional plans and policy statements). This information includes financial information and broad statements about planned activities which can be compared to actual activities and performance measures (that is, SSPs). Another important role of the annual plan and annual report is an explanation to ratepayers regarding expenditure. If money is being spent on RMA activities, then information is briefly stated in the annual plans and annual reports. By broadly stating an activity a person is able to request detailed information from a regional council.

Three respondents noted other ways that regional councils could provide information about *RMA requirement I*. Methods include different forms of public education — including school visits, videos, or specialised publications. The regional council that prepares specialised publications states that they are topic-specific and are provided at “appropriate intervals”.

The results continue by outlining which form or forms of information disclosure are currently used to display information about *RMA requirement I*.

a. The form in which this information is currently displayed

Chapter 4 discusses the possible forms of disclosure, namely: numerical data, written information, pictorial reports, and the statement of service performance. Opinion

was sought about how, and to what extent, regional councils currently display information about *RMA requirement I* using these techniques. The results are presented in table 6 - 3.

To what extent does your regional council currently display information on <i>RMA requirement I</i> using the following techniques: (you may choose more than one).	No Response	Not at all					Extensively	
		1	2	3	4	5	6	7
• Numerical data	1			4	2	4	2	
• Written information	1			2	5	3	2	
• Statement of Service Performance:								
Inputs: Resources used to produce goods and services	1	1	1	3	2	2	2	1
Outputs: Goods and services produced	1			1	3	3	4	1
Outcomes: Impacts on, or consequences for, the community resulting from the existence and operations of the regional council	1	1	1	3	4	1	1	1
• Pictorial reports (including diagrams, maps, graphs and drawings illustrating activities)		1	4	2	3	1	2	
• Other	13							

Table 6 - 3: The techniques used to display information on *RMA requirement I*.

Table 6 - 3 shows that regional councils currently use a variety of methods to display information on *RMA requirement I*. The “non-response” column in the table shows that some categories were not answered, which represents the opinion of one respondent who currently displays the information using pictorial reports only. The opinions of the remaining respondents are outlined below.¹²³

There was general agreement that numerical and written techniques are important for disclosing this information. This is evident from the responses, which show numerical data is used to present information: extensively (15%), to some extent (46%), or very little (31%). Respondents also state that written information is used extensively (15%), to some extent (62%), or very little (15%).

The statement of service performance is also used, as outlined by respondents, to display information about *RMA requirement I*. The respondents have shown that the SSP is currently presenting information using inputs, outputs and outcomes. Inputs are currently

¹²³ The results show percentages in the text. All categories, except “pictorial reports” present the results for 12 out of 13 respondents.

used to display information extensively (23%), to some extent (31%), very little (31%) and not at all (7%). Outputs are also used to display information in the following ways: extensively (38%), to some extent (46%), and very little (7%). Finally, outcomes are used, but to a lesser extent, where the respondents have indicated that information is currently displayed: extensively (15%), to some extent (38%), very little (31%) and not at all (8%).

Most regional councils are also using pictorial reports to display information to the public in the following ways: extensively (15%), to some extent (31%), very little (46%), and not at all (8%).

The first interviewee stated that progress made towards objectives (as outlined in regional plans and policy statements) is currently presented using primarily narrative and pictorial information in *separate* annual reports (that is, the council's report about the current state of the environment). Some information is broadly disclosed about *RMA requirement 1* in an SSP. The second interviewee stated that the annual plans and annual reports discuss RMA issues¹²⁴ and the information is disclosed mainly using an SSP and written information, with a limited use of financial information.¹²⁵ Both interviewees noted that by presenting information in SSP (using inputs/outputs and outcomes) enables a reader to see all information about a particular activity via reference to a single page.

b. Separate issues: The way information is currently displayed

This research sought opinion on four issues relating to information currently provided about progress made towards objectives (as outlined in regional plans and policy statements). Table 6 - 4 outlines both the issues and the results obtained from the respondents.

¹²⁴ Under a heading called, for example: hazard mitigation, land transport, or plans.

¹²⁵ For example, financial information may be placed on the right hand side of a page to disclose the cost of an activity.

Information currently provided on <i>RMA requirement I</i> :	Strongly Disagree				Strongly Agree		
	1	2	3	4	5	6	7
Ensures that there has been <i>accountability</i> to the public (Accountability is defined as the responsibility to give an account of the activities for which one is held responsible)			3		3	5	2
Means the public is sufficiently informed		1	4	3	3	1	1
Is adequate			4	4	2	1	2
Has high compliance costs		3		3	5	1	1

Table 6 - 4: Implications of providing information on *RMA requirement I*.

Chapter 3 discussed the need for regional councils to be accountable for *RMA requirements I*. This discussion concluded that a regional council must be accountable for these activities and that annual plans and annual reports may play an important role in achieving this. Therefore respondents were asked whether the information currently provided about *RMA requirements* ensures that there has been accountability to the public. A definition of “accountability” was provided (as shown in table 6 - 4 above) to ensure the meaning was clear. There was strong agreement expressed by respondents that information currently provided about *RMA requirements I* ensures that there has been accountability to the public; opinions were split into the following categories: strongly agree (54%), agree (23%) and disagree (23%).

The first interviewee believed that there was high accountability in their regional council because they were “laying a trail or an annual bench mark”¹²⁶. This was achieved partially with a separate annual report outlining the current state of the environment. The second interviewee stated that “[i]t’s very open and accountable, the way it is.” — that is, providing disclosure of *RMA requirements I* because comparisons of intended and actual activities are provided in the annual report, and they have open council records.

There was mixed opinion about whether the information currently provided on *RMA requirement I* meant that the public is sufficiently informed. Respondent opinions ranged from strong agreement (15%), agreement (23%), neutrality (23%), disagreement (31%), to strong disagreement (8%). There was also mixed opinion expressed about whether information currently provided about *RMA requirements I* is adequate. Some

¹²⁶ The report publicly outlines an environmental history allowing a person to hold the council accountable with those documents. A person could ask, for instance, “what has the regional council done, in the last 5 years, to reduce pollution?”

respondents strongly agreed (23%), others; agreed (15%), had a neutral opinion (31%), or disagreed (31%).

Although respondents have stated that there is accountability, they say the information is inadequate and the public is not sufficiently informed. The interviewees assisted by providing reasons for this apparent disagreement. The first interviewee stated that there is always room for improvement of the records in the regional council. This improvement can be achieved through the provision of clearer links between the annual, strategic, and long terms plans or policy statements. However, this statement was qualified by noting improvement is a gradual process which has been achieved as much as possible so far. This supports the claims in chapter 3, by the Ministry for the Environment (1991), Read (1991), Milne (1992), and Schofield (1992). The second interviewee also believed that there is room for improvement, which could be achieved through increasing public awareness of a regional council's existence and of its activities.

Chapter 4 discussed the fact that there are compliance costs associated with the provision of information to the public about *RMA requirements*. When asked if information currently provided about *RMA requirement I* has high compliance costs the respondent opinion was predominantly agreement. This was expressed in the following categories; strong agreement (15%), agreement (39%), neutrality (23%) and strong disagreement (23%). The interviewees indicated that there are currently high compliance costs because there are high costs associated with setting up the systems to record this information. However, once links are established between annual, strategic, and long terms, plans these costs may decrease. Furthermore, the cost of providing this information to the public is high because input is needed from throughout the organisation. The first interviewee stated that accountancy costs are only a small part of compliance costs — there also needs to be input from the staff who monitor their own activities, and from persons who monitor the environment.

The study also made enquires about how information is currently disclosed in relation to the background responsibilities of the RMA.

3. Current disclosure of RMA requirement II

Chapter 2 outlined the background responsibilities the RMA imposes on regional councils. These responsibilities are those in:

- section 32 of the RMA. (Before adopting any objective, policy, rule or other method in relation to any function of regional plans and policy statements a regional council must consider alternatives and assess benefits and costs.)
- section 35 of the RMA. (To carry out the function of regional plans and policy statements effectively a regional councils is required to gather information, monitor certain issues and keep records.)

Table 6 - 5 outlines the results relating to the current disclosure of information about *RMA requirements II* (in relation to sections 32 and 35 of the RMA).

Current disclosure of information in relation to the requirements of the RMA in:	No Disclosure				Extensive Disclosure		
	1	2	3	4	5	6	7
Section 32 (duty to consider alternatives, and assess benefits and costs)	1		1	3	4		4
Section 35 (duty to gather information, monitor and keep records)	1	1	1	2	4	2	2

Table 6 - 5: Information currently disclosed in relation to *RMA requirement II*.

Respondents have stated that information currently disclosed about the requirements of the RMA in section 32 is provided: extensively (30%), to some extent (54%), very little (8%), and not at all (8%). Furthermore, information currently disclosed about the requirements of the RMA in section 35 is provided: extensively (31%), to some extent (46%), very little (15%), and not at all (8%). Therefore, respondents have indicated that most regional councils provide information about decisions made in relation to sections 32 and 35 of the RMA. This information is freely provided within the regional council and/or in published reports, plans, or policy statements. Interviewees expanded on this by outlining that *RMA requirement II* is a planning process which means certain information is collected. For example, details kept can include submissions made, minutes of meetings, and any correspondence for a particular function of the regional council.

The results thus far have detailed how respondents believe regional councils are *currently* disclosing information about *RMA requirements I*, in *any* form. However, the research also asked respondents how information about *RMA requirements should be*

disclosed in one form only — annual plans and annual reports.¹²⁷ This is an important distinction, and highlights the fact that two different types of information were gathered. The results regarding the way information “should be” disclosed are outlined under the heading of “preferred disclosure”.

D. Preferred disclosure

1. Preferred disclosure of RMA requirement I

Chapter 3 outlined the importance of providing information to the public, establishing the need for a regional council to be accountable for *RMA requirements*. The chapter also highlighted the need to clarify the law in relation to the disclosure of *RMA requirements* in annual plans and annual reports. Initially, opinions are gathered by asking respondents whether the public should be provided with information on *RMA requirement I*, and whether this information should be provided in annual plans and annual reports. The results are presented in Table 6 - 6, below.

The public should be provided with information on:	Strongly Disagree				Strongly Agree		
	1	2	3	4	5	6	7
<i>RMA requirement I</i>						5	8
<i>RMA requirement I</i> in annual plans and annual reports			3	3	4	3	

Table 6 - 6: Whether the public should be provided with information on *RMA requirement I*.

The respondents all strongly agree that the public should be provided with information about progress made towards objectives (as outlined in regional plans and policy statements). The interviewees stated that this information should be provided so that they can be accountable for the use of public funds; and because a major role of the regional council is to provide that information. The second interviewee added a proviso — that a regional council should avoid overwhelming people by providing too much information.

¹²⁷ The questionnaire placed the questions relating the what “should be” (or preferred disclosure) before what is currently being disclosed. This ordering was a deliberate attempt to reduce the introduction of bias — respondents may have exaggerated their “current” disclosure if the survey was ordered the other way. However, the results have been presented in chronological order, that is, from current disclosure to possible future (preferred) disclosure.

There was mixed opinion (with a mean of 4.5) about whether annual plans and annual reports are the appropriate place to provide the public with information about *RMA requirement I*. The responses were: strong agreement (23%), agreement (31%), neutral opinion (23%) and strong disagreement (23%). Thus, there is support for the argument that there should be disclosure of *RMA requirements* in annual plans and annual reports.

The first interviewee stated that the annual plans should provide readers with information about financial issues. However, there should be some information about *RMA requirement I* because that is a large part of a regional council’s activity, but the information should be stated briefly. Both interviewees expressed concern that too much information may make the annual plan and annual report too large, thereby reducing the number of likely users. The discussions during the interviews revealed ideas about what sort of information should be included in these annual plans and annual reports.

Some issues raised in the literature review have been presented as possible implications of disclosing information in annual plans and annual reports about *RMA requirement I*. Table 6 - 7 presents the opinions expressed by the respondents.

These questions have been reproduced from the survey	Strongly Disagree				Strongly Agree		
	1	2	3	4	5	6	7
The long term goals of the RMA may be easier to achieve if information on short term targets is provided in an annual plan and annual report		1	2	1	7	1	1
The provision of information within an annual plan and annual report on <i>RMA requirement I</i> would assist regional councils in implementing and achieving the purpose of the RMA		2	4	2	3	1	1
Annual plans and annual reports need to be <u>modified</u> to ensure that adequate disclosure is made regarding the provision of information on <i>RMA requirement I</i>		3	2	3	2	3	

Table 6 - 7: Possible implications of disclosing *RMA requirement I* in annual plans and annual reports.

There was mixed opinion about whether the long term goals of the RMA may be easier to achieve if information on short term targets is provided in annual plans and annual reports. The opinions were expressed in the following categories: strongly agree (15%), agree (54%), neutral (8%), disagree (15%), and strongly disagree (8%). This supports the argument, that there should be strong links between annual, strategic, and long term plans for regional councils. The first interviewee did not agree with the statement in the survey because it is not easy to achieve the links. This person stated that it is difficult to break a 10

year plan into annual goals relating to the impact on the environment. The second interviewee agreed because it was a “good concept”.

It was suggested in chapter 3 that there can be a relationship between long term and short term plans which may assist a regional council in achieving the purpose of the RMA (promoting sustainable management of natural and physical resources in New Zealand). Furthermore, figure 3 - 2 presented a hierarchical relationship beginning with sustainable management and ending with the disclosure of significant activities in an annual plan and annual report. These suggestions have formed the question about whether disclosure of *RMA requirement I* in annual plans and annual reports assists regional councils in implementing and achieving the purpose of the RMA. The respondent opinions were mixed, and expressed opinions in the following categories: strongly agree (16%), agree (23%), neutral (15%), disagree (31%), and strongly disagree (15%). Therefore, the suggestions in the literature review have neither been refuted or supported.

In the mail survey both interviewee’s did not believe that the provision of information within an annual plan and annual report on *RMA requirement I* would assist regional councils in implementing and achieving the purpose of the RMA. Their reason for their disagreement was that they thought very few people read “generalist” documents like annual plans and annual reports. They felt that a person is more likely to approach the regional council for specialist information, such as an environmental strategy. The second interviewee added that the annual plans and annual reports are produced as a *result* of promoting sustainable management, thus they did not assist in promoting it.

Finally, there was mixed opinion (with a mean of 4) about whether annual plans and annual reports needed to be modified to ensure that adequate disclosure is made regarding the provision of information on *RMA requirement I*. The actual responses were in the following categories: strongly agree (23%), agree (16%), neutral (23%), disagree (15%), and strongly disagree (23%). One interviewee stated that the current disclosure was adequate, but there should be continuous improvement.

Opinions were also sought from respondents about the disclosure of significant activities, as outlined below.

a. Disclosure of significant activities

Chapter 3 raised an important issue, presented in Figure 3 - 1. It was noted that the legislation lacked clarity about the extent to which there should be disclosure in annual plans and annual reports of *RMA requirements*. This problem arises because the legislation does not define “significant activities”. Thus, this research sought to establish how regional councils, by asking respondents, may be interpreting this legislation.

Respondents were presented with two statements of fact:

1. In accordance with the LGA, in an annual plan and annual report a regional council must disclose information about their “significant activities”.
2. The RMA requires a regional council to manage certain functions.

The RMA functions of a regional council have been examined in chapter 2. The survey asked whether management of these functions would constitute a “significant activity” that should be disclosed in an annual plan and annual report. The responses for each function have been presented in Table 6 - 8, below.

Managing the following functions constitutes a “significant activity” that should be disclosed in an annual plan and annual report	No Response	Strongly Disagree					Strongly Agree	
		1	2	3	4	5	6	7
Land and Soil use		1	1			2	4	5
Landscape and Ecology		2	3	2	2	3	1	
Water		1	2			1	4	5
Beds of Rivers, Lakes and their Margins		1	2	3	2	3		2
Coastal Environment		2	2		2		3	4
Coastal Marine Area		1	2	1	2		2	5
Settlement and the Built Environment		2	4		1	2	4	
Air		1	2	1	2	1	2	4
Energy		3	2	2	3	3		
Transport		1	1		2		7	2
Natural Hazards		1	2	1	1	1	2	5
Hazardous Substances		2	2	1	3	1	4	
Solid and Hazardous Waste	1	2	3		1	2	3	1
Other	12						1 ¹²⁸	
TOTAL	13	20	28	11	21	19	37	33

Table 6 - 8: Whether RMA functions constitute significant activities of the LGA.

Therefore, Table 6 - 8 represents respondent opinion for each function under the RMA, and outlines whether they consider the management of that function to be a significant activity that should be disclosed in the annual plan and annual report. Rather than outlining responses for each function (see table 6 - 8 if further detail is required), the totals were calculated for each position on the Likert scale. This shows that respondents: strongly agree (38%), agree (11%), are neutral (12%), disagree (6%) and strongly disagree (26%). The remaining 7% did not offer an opinion, in the categories shown in Table 6 - 8. These consolidated results show that opinion is polarised.¹²⁹

¹²⁸ This respondent named two additional categories, as “biological resources” and “plant and animal pest management”.

¹²⁹ Therefore, providing information about means would be meaningless.

This raises an issue that is strongly related to the central argument of this study, as expressed in chapter 3. The chapter interpreted the legislation to mean the functions of the RMA form part of the definition of “significant activities” in the LGA. The argument pivoted on a lack of clarity in the legislation. Three facts highlight this question as controversial:

- the mail survey results are polarised,
- mail survey respondents added voluntary comments to the surveys, and
- the opinions of the interviewees were definite.

The comments in the surveys showed how most regional councils are interpreting the legislation. One respondent stated that a “significant activity” is a broad term, and should not be interpreted to mean the functions specified in table 6 - 8 (or as per the RMA). The functions should be included in the annual plan and annual report but they should be grouped, or included within a significant activity, and this decision would be made in each regional council and based on the requirements of that region. However, these answers also highlight a problem with the way this question was interpreted. That is, the respondents who made similar comments on the survey instrument had different opinions when they answered the question. One respondent would agree and the other disagree that managing an RMA function constitutes a significant activity that should be disclosed in an annual plan and annual report.

An interpretation problem was also apparent from conducting the interviews. The first interviewee’s opinion was strong disagreement and the second interviewee had strong agreement, but upon interview both persons stated that this information could be included but grouped or stated briefly. The interviews also illustrated how these functions could be grouped in the annual plans and annual reports. A regional council might group functions based on some similar attributes, for example, a group for “planning” or “monitoring”. A function might be reported separately if it is a large part of a regional councils activities or if a lot of money is being spent in that area. The second interviewee stated that if the function is significant enough to be actioned, then it should be included in the annual plan (whether it is reported separately or grouped). The interviewees also indicated that the disclosure should include use of the SSP, and certain key environmental elements (such as, water services).

Since there are indications that the respondents have interpreted this question in different ways, then great importance should be attached to the comments provided on the survey instrument and in the interviews.

Respondents were also asked if they thought it was necessary to clarify the law to ensure that management of the functions (as detailed in Table 6 - 8) constituted “significant activities” which should be reported in an annual plan and annual report. Respondents were asked to give a yes/no answer regarding whether there should be amendments to the LGA or the RMA. The question also gave respondents the opportunity to specify other Acts which could be amended. These results are presented in Table 6 - 9

The law should be clarified to ensure that management of these functions constitutes “significant activities” which should be reported in an annual plan and annual report. The amendments should be to the:	No	Yes
Local Government Act 1974	6	7
Resource Management Act 1991	9	4

Table 6 - 9: Legislative amendments: Should the law be clarified?

A small majority (54%) believe that the LGA should be amended or clarified and 31% of respondents believe that there should be an amendment to the RMA. Any clarification would aim to ensure that management of these functions constitutes “significant activities” which should be reported in an annual plan and annual report. No respondents stated that any other Act should be amended.

The interviewees had differing opinions and background knowledge about these issues. The first interviewee did not want the LGA to be amended because vague legislation was appropriate in these circumstances. Furthermore, the legislation should be flexible because different regions have different issues and needs which can change from year to year — meaning that legislation should not specify global categories for significant activities. This person was not familiar with the details of the RMA, except to indicate that it appeared to be satisfactory.

The second interviewee initially thought that both the RMA and the LGA should be amended and was not familiar with the details in the LGA. However, the interviewee was aware that the LGA did not define significant activities. This person believed that the LGA should not specify significant activities because functions differ for regional and district councils. This person does suggest that a descriptive definition could be included in the

RMA, but should be linked to the “functions” required in each type of local government and suggests it could be added to section 30¹³⁰ of the RMA. During the interview possible suggestions were outlined by this person, such as:

“these are all items that need to be reported as significant activities under the Local Government Act [1974].”; or

“these are the significant activities under the RMA and they form the basis of the significant activities you are to report on the Local Government Act [1974].”

Respondents were also asked what forms of disclosure are appropriate for disclosing information in annual plans and annual reports.

b. Preferred form of disclosure

Respondents were asked what forms of disclosure should be used if information is provided to the public in annual plans and reports on progress made towards objectives (as outlined in regional plans and policy statements). The four forms of disclosure outlined in chapter 4 were posed to respondents. These include: numerical data, written information, pictorial reports, and statements of service performance. The results are presented in Table 6 - 10, below.

¹³⁰ Section 30 outlined the functions of regional councils.

If information is provided to the public in annual plans and reports on <i>RMA requirement I</i> , it should be displayed using the following techniques: (you may choose more than one)	No Response	Strongly Disagree					Strongly Agree	
		1	2	3	4	5	6	7
• Numerical Data	2	1	2	2	3	1	2	
• Written information	1	1	1	1	1	3	5	
• Statement of Service Performance:								
Inputs: Resources used to produce goods and services		1	3		3	2	2	2
Outputs: Goods and services produced					3	2	5	3
Outcomes: Impacts on, or consequences for, the community resulting from the existence and operations of the regional council		1			2	2	4	4
• Pictorial reports (including diagrams, maps, graphs and drawings illustrating activities)	1	1		1		4	3	3
• Other.	13							

Table 6 - 10: The techniques that should be used to display information on *RMA requirement I*.

Table 6 - 10 highlights that various forms of disclosure should be used to provide the public with information about *RMA requirement I* in annual plans and annual reports. The non-response column represents the opinion of one respondent, with the exception of the numerical data category. The opinions of the remaining respondents are outlined below. For the use of numerical data to disclose information about *RMA requirement I* in annual plans and annual reports the opinions are predominantly negative, that is: strong agreement (15%), agreement (8%), neutral opinion (23%), disagreement (15%), and strong disagreement (23%). Respondents indicated that written information is a good way to disclose this information, evidenced by: strong agreement (38%), agreement (23%), neutrality (8%), disagreement (8%), and strong disagreement (15%).

Respondents strongly agree (30%), agree (16%), are neutral (24%), and strongly disagree (30%) that the inputs within SSPs should be used to display information about *RMA requirements I* in annual plans and annual reports. Further, respondents strongly agree (62%), agree (15%), or are neutral (23%) that outputs should be used to display this information. Finally respondents also strongly agree (62%), agree (15%), are neutral (15%), and strongly disagree (8%) that this information should be displayed using outcomes, as a component of the SSP. In regard to pictorial reports, respondents: strongly agree (46%),

agree (31%), disagree (8%), and strong disagree (8%) that this technique should be used to display information about *RMA requirement I* in annual plans and annual reports. Therefore, preference has been expressed for several forms of information: written information, pictorial reports, and SSPs.

The first interviewee had a personal preference for using the SSP to display information about *RMA requirement I* in annual plans and annual reports because it was believed that this method would allow information to be presented across one page, showing intended activities and actual activities. This person did not think numerical information, maps, and diagrams were an appropriate way to present information about *RMA requirement I*, in the annual plans and annual reports. However, since the links between annual, strategic, and long term plans needed improvement then a lot of this information could not be included in annual plans and annual reports. Once regional plans were complete then certain information could be included. This information could be related to what the council expects to achieve with the plan, and the outcomes could be stated briefly.

The second interviewee stated that this information should be presented using written forms and SSP information, with some pictorial information and with limited use of numerical disclosure. This preference was expressed because:

“[y]ou want a variety of people to be able to pick it up and understand it and to do that you need to use a variety of methods — you don’t want to constrain yourself to one type.”

Respondents were asked for information in relation to information adequacy and compliance costs.

c. Compliance costs and information adequacy

Table 6 - 11 presents the results of inquiries, which asked, whether this information is adequate, and about compliance costs associated with providing this information.

These questions have been reproduced from the survey	Strongly Disagree				Strongly Agree		
	1	2	3	4	5	6	7
Providing information, as indicated in questions 1 to 8 (of section 3), would give an adequate display of information	2	2	2		5	1	1
The provision of information to the public within an annual plan and annual report on <i>RMA requirement I</i> would have high compliance costs		1	2	1	3	3	3

Table 6 - 11: Implications of providing information (in the preferred manner) on *RMA requirement I*.

A whole section of the survey has been devoted to finding out how respondents think that information about *RMA requirements I* should be presented in annual plans and annual reports. They were then asked to indicate whether providing information, in that way, would give an adequate display of information. There was no consensus as to whether this information would give an adequate display of information evidenced by opinions ranging from: strong agreement (15%), agreement (39%), disagreement (15%), to strong disagreement (31%). The responses of the interviewees may indicate that respondents interpreted the question in different ways, because each interviewee had rated the “adequacy” of this information for different reasons.

Table 6 - 11 also presents respondent opinion about whether the provision of information to the public on *RMA requirement I* within an annual plan and annual report would have high compliance costs. Most respondents agreed that providing this information would have high compliance costs, the actual results were: strong agreement (46%), agreement (23%), a neutral opinion (8%), disagreement (15%), and strong disagreement (8%). The interviewees stated that if the annual plans and annual reports were produced using a brief format then the compliance costs would not be high. However, to provide this information a lot of monitoring is done by the regional councils. These opinions considered the costs associated with bringing that information together for the annual plans and annual reports and assumes that the current monitoring system is providing sufficient and appropriate information.

The results relating to preferred disclosure of *RMA requirement II*, is outlined below.

2. Preferred disclosure of RMA requirement II

Under the section entitled “Current disclosure of *RMA requirement II*” the information provided in the literature review was outlined, and the way this information is currently disclosed was outlined.

Respondents were asked whether information in relation to section 32 and section 35 of the RMA should be included in the annual plans and annual reports of the regional council. Table 6 - 12 outlines the results.

For the following requirements of the RMA should this information be included in the annual plan and annual report:	No Disclosure					Extensive Disclosure	
	1	2	3	4	5	6	7
Section 32 (duty to consider alternatives, and assess benefits and costs)	6	3		1	3		
Section 35 (duty to gather information, monitor and keep records)	5	3		2	2	1	

Table 6 - 12: Information that should be disclosed in relation to *RMA requirement II*.

The results show that most respondents do not believe that *RMA requirement II* should be disclosed in annual plans and annual reports. For section 32, opinions ranged from: agreement (23%), neutrality (8%), to strong disagreement (69%). The results were similar for section 35, where opinion ranged from: agreement (23%), neutrality (15%), to strong disagreement (62%). Thus the respondents do not see annual plans and annual reports as an appropriate place to disclose information in relation to section 32 and section 35 (of the RMA). This appears to support the claim in figure 3 - 2 (in chapter 3), which provides a graphical interpretation of the role sections 32 and 35 have for providing information about the annual plan and annual report. These sections are outlined as being background responsibilities of the regional council.

The first interviewee stated that there should be no disclosure of this information in the annual plans and annual reports because it is part of the planning process (as outlined under the title “Current disclosure of *RMA requirement II*”). That is, it is very difficult to provide detailed information because sections 32 and 35 are planning processes, rather than activities. The second interviewee indicated that there should be some issues relating to sections 32 and 35 in the annual plans and annual reports. However, this disclosure would be brief, and would state the current or complete processes, for example: “plan xyz has been

notified”, or “the solid waste plan will be completed by xyz date”. The annual plan might also state that “we are going to monitor xyz”.

General comments were also sought from respondents, as outlined below.

E. General comments

1. Potential benefits for other organisations

The mail survey sought information about how providing information to the public on *RMA requirement I* could benefit other organisations. The results are presented in Table 6 - 13, below.

When a regional council provides information to the public on <i>RMA requirement I</i> :	Strongly Disagree				Strongly Agree		
	1	2	3	4	5	6	7
• other organisations have better access to information regarding environmental activities in their region				2	3	4	4
• other organisations can react quickly to their requirements under the RMA. For example, submitting resource consents				5	1	4	3

Table 6 - 13: Potential benefits for other organisations of providing information to the public about *RMA requirement I*.

Respondents strongly agreed (62%), agreed (23%), or had a neutral opinion (15%) that when a regional council provides information to the public on *RMA requirement I* other organisations have better access to information regarding environmental activities in their region. Moreover, respondents strongly agreed (54%), agreed (8%), or had a neutral opinion (38%) that other organisations can react quickly to *their* requirements under the RMA. Both interviewees agreed that organisations could have better access to information, or organisations can react quickly to their requirements under the RMA, because the regional council freely provides a lot of information.

This strongly supports the arguments presented in chapter 4, which discussed how external parties can be affected by information. The preparers of these reports acknowledge that an individual’s behaviour can be influenced by the kind of information provided within the reports. This issue was discussed in chapter 4 by reference to Prakash and Rappaport (1977).

Respondents were also asked about legislative issues.

2. Legislative issues

Respondents were asked whether there needs to be clearer legislative guidelines about how to inform the public on *RMA requirement I*. Six of the thirteen (46%) respondents stated that there needs to be clearer legislative guidelines. These six respondents were asked to indicate whether the LGA or the RMA should be amended. The opinions of these the six respondents are shown below in Table 6 - 14.

Given that there needs to be clearer legislative guidelines about how to inform the public on <i>RMA requirement I</i> there should be amendments to the:	No	Yes
Local Government Act 1974	2	4
Resource Management Act 1991	1	5

Table 6 - 14: Amendments that should be made to the legislation.

Most respondents who believe clarification is necessary believe that both Acts should be amended. That is, 4 out of 6 respondents believe that there should be clearer legislative guidelines about how to inform the public on *RMA requirement I* in the LGA, and 5 respondents believe that the RMA should be clarified. Legislative clarification has been previously reviewed in this chapter within the discussions about significant activities. The first interviewee stated that the legislation should not change because “a period of [legislative] stability would be nice.” The second interviewee stated that the legislation should change, and reiterated the opinions reviewed under the discussions about significant activities.

The respondents who stated that clarification is necessary were also asked whether they believed these clarifications should occur because there is a need for ongoing monitoring, and/or rigorous mechanisms of accountability. The response is shown in Table 6 - 15.

	Strongly Disagree					Strongly Agree	
	1	2	3	4	5	6	7
There needs to be clearer legislative guidelines about how to inform the public on RMA requirement I:							
• Because there is a need for ongoing monitoring					5	1	
• Because there is a need for rigorous mechanisms of accountability			1	2	3		

Table 6 - 15: Some reasons when there should be clearer legislative guidelines.

The questions in table 6 -15 are based on the quote of Baines et al. (1988), as in chapter 3. All respondents agree that clearer legislative guidelines (about how to inform the public on *RMA requirement I*) are necessary because there is a need for ongoing monitoring. However, there was a mixed response (with greater agreement than disagreement) as to whether this change is necessary as a result of a need for rigorous mechanisms of accountability.

The second interviewee outlined that to ensure regional councils are being accountable there should be guidelines in the legislation (about monitoring) to make sure that the bare minimum is done. However, there should also be a clause for anything else they “deem necessary”. This person also believes there should be an aim, within the regional councils, for continuous improvement.

3. The impact of the Resource Management Act 1991 on accounting in regional councils

Respondent opinion was sought, asking if the RMA, since its enactment, has had an impact on the provision of information by regional councils in annual plans and annual reports. The results are shown in Table 6 - 16, below.

	Strongly Disagree					Strongly Agree	
	1	2	3	4	5	6	7
This question has been reproduced from the survey							
Since its enactment the RMA has had an impact on the provision of information by regional councils in annual plans and annual reports	1	1	3	2	3	3	

Table 6 - 16: General comment about the RMA’s impact.

Respondent opinion was mixed, with strong agreement (23%), agreement (23%), neutral opinion (15%), disagreement (23%), and strong disagreement (16%) about whether

the RMA has had an impact on the provision of information by regional council in annual plans and annual reports. The first interviewee did not believe the RMA had had an impact because it outlines what the regional council does and the LGA outlines what should be *reported*. This person felt that since the regional council gathered information (under previous legislation) then it probably would have been reported anyway, whereas the second interviewee felt that the RMA has had an impact on annual plans and annual reports because the documents had become more focused. This was only possible because the RMA had replaced other confusing legislation at the same time as regional councils were set up.

Respondents were given the opportunity to make further comment in an open-ended question. One summarised their opinion in this statement:

“I don’t believe the RMA has had the desired impact, as it is a) not generally understood by the public, b) often complex in its requirements, and c) subject to misinterpretation.”

Other respondents were concerned that an inclusion of *RMA requirements* may make annual plans and annual reports too large. One respondent emphasised the weak links between annual, strategic and long term plans, adding that some plans are currently not operative. It was stated that any disclosures about *RMA requirements* in annual plans and annual reports should be brief, and that alternatively other reports could be published relating to specific topics.

F. Conclusion

The research involved a survey of accountants who prepare annual plans and annual reports in regional councils. The entire population of regional councils was surveyed and two personal interviews were conducted. The interviews added value to the research, because of the additional information obtained. The findings of this research are outlined, below.

Information is currently provided for the public about the extent to which *RMA requirement 1* has been achieved by a regional council using a variety of means. These include within the regional council’s office, in public newspapers, in general publications (for example, an annual plan), and in specialised publications (for example, a plan about waste management). Respondents stated that regional councils are currently using various forms of disclosure to display this information, including numerical data, written

information, pictorial reports, and statements of service performance. These disclosures ensure accountability to the public, but there was no consensus as to whether this information would give an adequate display of information. The compliance cost of providing this information is high.

Respondents outlined that any information provided for the public in annual plans and annual reports about *RMA requirements I* should be brief. The information should make a reader aware of other information available at the regional council. There was mixed opinion about whether providing this information would have other implications for the regional council, such as enhancing their ability to achieve long term goals. The preferred forms of disclosure were written information, pictorial reports, and statements of service performance. Minimal numerical data should be presented. There was mixed opinion about whether providing this information would be adequate. The compliance costs associated with this disclosure would be high. Respondents agree that there would be benefits for other organisations, such as better access to information, when a regional council provided information to the public on *RMA requirement I*.

In terms of whether managing the functions of the RMA constituted “significant activities” that should be disclosed in the annual plan and annual report, respondents indicated that these functions could be grouped or included within a significant activity. This classification should be based on the requirements within a region. Some respondents also indicated that either the RMA or the LGA need to be amended to clarify the reporting required for significant activities or the disclosure of *RMA requirement I*.

Respondents stated that information about *RMA requirement II* is provided within the regional councils and within their publications. Furthermore, it is generally inappropriate to include information about *RMA requirement II* in annual plans and annual reports, except to state that a process is being actioned.

Overall, accountants in regional councils have indicated that the direct impact of the RMA on the provision of information by regional councils in annual plans and annual reports appears to be minimal at this stage. It is not possible to produce extensive information in annual plans and annual reports because the internal management systems are not sufficiently developed to do this (that is, links are not yet established between short, strategic, and long terms plans). Regional councils habitually update the current systems to

keep up with developments. Once these are fully developed the impact of the RMA on the provision of information in annual plans and annual reports may be greater.

This research has highlighted several areas for further research, which are reviewed in the following chapter.

7. Limitations, Recommendations for Further Research and Conclusion

A. Introduction

This study began by expressing concern over the weak nature of accountability at the regional level in local government. This concern initiated this study which investigated the impact that the RMA has had on the provision of information by regional councils in annual plans and annual reports. This chapter outlines the limitations of the research, and offers opportunities for further research.

B. Limitations

There were limitations to this research which influenced the results obtained. Firstly, the research method used to conduct this study was influenced by a lack of time and finance. Secondly, there were some non responses which appear to have biased the results because they were all small, rural regional councils. Finally, opinions of accountants who are responsible for preparing annual plans and annual reports within regional councils were sought, which means that the results cannot be generalised. That is, their opinions cannot be applied to the regional council (as a whole) or to other public sector organisations, the private sector, or to the external users of annual plans and annual reports produced by regional councils.

Despite these limitations the results of the mail survey and interviews have highlighted areas where further research could be conducted, as outlined below.

C. Recommendations for further research

i. An extension of this study.

This study could be extended in two ways:

- An investigation into the impact of the RMA on the provision of information by city or district councils in annual plans and annual reports;
- By obtaining the opinions of users about the impact of the RMA on the provision of information in annual plans and annual reports. This could be conducted as a case study on a council. The current study obtained the opinions of preparers only.

ii. Comparing current and preferred disclosure.

In this study regional councils were asked questions in two distinctly different categories, as highlighted in chapter 6. Firstly, how do you currently disclose information about *RMA requirements* to the public in *any form*? Secondly, how should information about *RMA requirements* be disclosed to the public in *annual plans and annual reports*? There are two distinctly different categories in this research, discussing how information is disclosed about *RMA requirements*. It would therefore be invalid to compare these categories.

However, further research could be conducted if the categories were about the same type of information. Therefore questions (as outlined) would need to be asked in categories addressing the same types of disclosure. Firstly, how is information about *RMA requirements* currently disclosed to the public in *annual plans and annual reports*? Secondly, how should information about *RMA requirements* be disclosed to the public in *annual plans and annual reports*?

Opinion regarding how information “should be” disclosed could be obtained by asking the users and/or preparers of the annual plans and annual reports. Information about how information is “currently” disclosed could be obtained by either asking the users and/or preparers or by performing content analysis on published documents.

This study may help determine how legislation is interpreted and where it could be clarified. Furthermore, the study could be extended to district and city councils.

iii. Do large documents get less use?

One interviewee believed that annual plans and annual reports containing too much information about *RMA requirements* get less use. Therefore, research could be conducted to determine whether “large” annual plans and annual reports are likely to get less use. This research would probably be best conducted by asking users about any information (not just *RMA requirements*) contained in these documents.

iv. Type of information that should be disclosed in the annual plans and annual reports.

This study has established the need to disclose some information about *RMA requirements* in annual plans and annual reports. This information should be brief. In further research, both users and preparers of this information could be asked:

- what information on *RMA requirements* should be disclosed in the annual plans and annual reports?
- how much depth/breadth of information about *RMA requirements* is appropriate in annual plans and annual reports?

This study could be combined with the following option for further research.

v. Defining what should be disclosed as a “significant activity”.

One controversial question in the survey concerning significant activities — whether the management of RMA functions constitute “significant activities” that should be reported in annual plans and annual reports. Some respondents and one interviewee indicated that the legislation should be clarified.

To find out if the legislation should be clarified, further research could be conducted for regional, district, and/or city councils. Certain possibilities for altering the legislation have already been highlighted in this research, which include:

- altering section 30 of the RMA, which currently outlines the functions of regional councils. There are equivalent sections for district and city councils. This alteration was suggested by one interviewee;
- inserting clause 31 (of the RMB) into the RMA. This was reviewed in chapter 3;
- inserting a section (into the RMA or the LGA) stating that the functions in the RMA constitute “significant activities”, and inserting a proviso that the functions can be grouped;
- altering the LGA.

The following issues could also be considered in relation to how the legislation should be altered:

- whether requirement be prescriptive or descriptive;
- whether this change should be specific or general;
- whether there should be a guideline provided as a list, with dispensation for smaller councils, and/or with a phrase encompassing “any other relevant issues”;
- consider how the requirement could be defined. For example, the legislation might state that an activity is significant where a certain percentage of budget is spent.

vi. Legislative amendments.

Some of the respondents have indicated that there needs to be legislative change concerning how to provide information to the public on progress made towards objectives (as outlined in regional plans and policy statements). However, further research would be needed to detail these changes.

vii. Internal management: do the annual plans and annual reports assist in achieving the purpose of the RMA?

This study asked *preparers* of annual plans and annual reports whether the information contained on *RMA requirements* within these documents would assist the regional council in implementing and achieving the purpose of the RMA. The same question could be posed to internal management, that is, the persons who contribute to the preparation of these annual plans and annual reports.

viii. Monitoring and compliance costs.

An investigation could be carried out to determine the cost of providing information to the public on *RMA requirements* in annual plans and annual reports. Further research could be conducted to determine the:

- costs incurred in monitoring the environment, as required by the RMA;
- costs incurred in ensuring the information is suitable for use in reports;
- compliance costs associated with reporting *RMA requirements* in annual plans and annual reports.

ix. Benefits to external users of the regional council's information.

This research found that accountants think that other organisations (external users) benefit from the information provided by regional councils about *RMA requirements*. However,

these external users could be asked how they benefit because of the information provided by regional councils on *RMA requirements*.

x. “State of the environment” and annual reports.

Comments in both the surveys and interviews highlighted an alternative report for disclosing *RMA requirements*. This report would outline the current “state of the environment”.¹³¹ However, further research could be conducted to determine how this report should be presented to the public. The main issue raised in the interviews was whether the state of environment report should be included as part of the annual plan and annual report. The second interviewee would prefer the information to be produced as a separate report. This information could then supplement information in the annual plan and annual report, so that they can be linked, but do not repeat information. For example, the annual plan might state that a river’s pollution will be reduced in 199X — the “state of the environment” report will annually outline the current level of pollution in that river.

Whereas the first interviewee stated that, at present, it would be inappropriate to include this report in the annual plans and annual reports, because:

- the links between the annual, strategic and long term plans need to be clearer.
- the formats of the two reports are different. The “state of the environment” report provides information about the *current* state of the environment (mainly written information, maps and diagrams), whereas annual plans and annual reports use statements of service performance to compare actual and proposed activities.
- the type of information currently included in the “state of the environment” report does not fulfil the requirements of the LGA. That is, comparing actual performance to planned performance. Therefore it should not be included in an annual plan and annual report.
- the annual plans and annual reports can be audited, the “state of the environment” report cannot. Therefore providing non-audited information (in a report that is traditionally audited) could be misleading.

Therefore, it is important to consider the issues for and against having combined and separate reports, including:

- When should this report be published? If the state of the environment continues to be published separately, then should it be published on the same date as the annual report? The documents are currently published at different times of the year.

¹³¹ It has different titles in the regional councils, namely: the “regional environment report”, the “state of the environment report”, and “the state of the environment”.

- Should there be a legal requirement for all regional councils to produce this report? Should the report be voluntary or mandatory?¹³² At present, the “state of the environment report” is not legally required.
- Should there be provisions for differential reporting, if the state of the environment report was mandatory? For example, smaller councils may not have the same resources as large regional councils.
- What format should the state of the environment reports take? Should:
 - (a) the information be able to be audited (comparing actual to budget)?
 - (b) the information be disclosed using SSPs?
 - (c) the information focus on environmental outcomes, or the current state of the environment?
 - (d) the information be presented using written information, numerical data, statements of service performance and/or pictorial reports?
- How specific any requirements should be?¹³³
- Whether the state of the environment report should be the only annual report that discloses information about *RMA requirements*. That is, the annual plan and annual report would not disclose any information about *RMA requirements*. However, in this instance it would probably be appropriate to publish the annual report and the state of the environment report at the same time.

xi. Responsibility for the Environment.

An investigation could be conducted to determine whether there should be a requirement for all organisations in New Zealand to report the impact of their activities on the environment.

This study could look at whether there should be;

- a guideline provided by the New Zealand Society of Accountants;¹³⁴
- a requirement in the RMA; and/or
- some requirements in industry-specific legislation.

xii. Accuracy of current annual reports.

Further research could be conducted to determine whether there is an accurate association between the contents of the annual report (about *RMA requirements*) and actual environmental performance.¹³⁵

¹³² For discussions regarding whether disclosure of information should be voluntary or mandatory, see Gray (1990c) and Tozer (1992).

¹³³ See the list of considerations given under the further research suggestion entitled “defining what should be disclosed as a ‘significant activity’.” In this section there is a discussion raising issues about how legislation could be altered.

¹³⁴ Relevant discussions can be found in: Heslop (1992), Milne (1993) Pratt and Allen (1993), Tozer (1992), Tozer and Hawkes (1992), Tozer and Mathews (1994).

¹³⁵ Studies in this area (but not directly related to *RMA requirements*) include: Harte and Owen (1991), Ingram and Frazier (1980), Rockness (1985), and Wiseman (1982).

D. Conclusion

This study began with an exploratory search of the literature and a review of the relevant legislation which lead to an investigation into the impact of the RMA on the provision of information by regional councils in annual plans and annual reports.

This process highlighted several important issues and outlined three research questions. By studying research methodology the most appropriate research method was determined, namely, a mail survey of accountants who coordinate and/or prepare annual plans and annual reports for the entire population, and follow-up interviews with two respondents held at the regional councils.

Opinions gathered in this research were often mixed, as detailed in chapter 6. However, significant results were identified. In regard to the provision of information to the public about *RMA requirement I*.¹³⁶

- The regional council currently provides this information at the regional council's office, in newspapers, or in the *Gazette*. In fact, some regional councils currently provide this information in the annual plans and annual reports.
- The information currently provided by the regional council ensures that there has been accountability to the public.
- The public should be provided with this information.
- The statement of service performance, written information, and pictorial reports are important forms of disclosure for this information, in annual plans and annual reports. There should be minimal use of numerical data.¹³⁷
- Providing the public with this information in annual plans and annual reports would have high compliance costs.
- When a regional council provides this information other organisations have better access to information regarding environmental activities in their region.
- When a regional council provides this information other organisations can react quickly to their requirements under the RMA.

In regard to the provision of information to the public about *RMA requirement II*.¹³⁸

- The regional council currently provides this information extensively in published reports, plans, and policy statements.
- It is not appropriate to detail this information in annual plans and annual reports. If stated, it should be stated briefly as planned versus actual activity.

¹³⁶ That is, progress made towards objectives as outlined in regional plans and policy statements.

¹³⁷ Whereas, various forms of disclosure are used to present information in any form and/ or documents about *RMA requirement I*.

¹³⁸ That is, the provision of information about decisions made in relation to sections 32 and 35 of the RMA.

Respondent opinion was polarised with regard to the following issue:

- Whether the management of functions (as required under the RMA for regional councils) constitute *significant activities* that should be disclosed in an annual plan and annual report. However, opinions obtained through the research indicated that a more thorough investigation may reveal consensus of opinion. Therefore, this is a contentious issue for further research.

The interviews, and/or comments on the surveys have highlighted the following areas for further research:

- Should there be legislative amendments to the RMA and LGA?
- Whether an alternative annual report is appropriate for disclosing *RMA requirements*, such as a “state of the environment” report.

In summary, the accountants who coordinate and/or prepare the annual plans and annual reports in regional councils have indicated the RMA has had a minimal impact on the provision of information by regional councils in annual plans and annual reports. However, in the future impact may be greater, since there is a need to be accountable to the public for *RMA requirements*.

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With this in mind, it should be expressed that the opinions in this thesis as well as any residual errors and/or omissions are entirely my responsibility.

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Appendix One

Appendix one contains the following information, a copy of:

- the covering letter that was attached to the survey instrument;
- the survey instrument;
- the follow-up letter;
- the thank you letter; and
- the summary of results (enclosed with the thank you letter).

Covering letter that was attached to the survey instrument.



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August 23, 1995

«FirstName» «LastName»
«Title»
«Company»
«Address1»
«City»

Dear «FirstName»

As part of my Master of Commerce Thesis studied at the University of Canterbury, I am conducting a survey. The purpose is to obtain opinions about the impact of the Resource Management Act 1991 on the provision of information by regional councils (and those councils with regional responsibilities) in annual plans and reports. This survey should be answered by the accountant who co-ordinates and/or prepares the **annual plans** and **annual reports**. If this is not your role, would you please pass this on to the appropriate person.

This type of information has not yet been gathered, therefore it is hoped that valuable knowledge and trends can be documented. The results will indicate what other accountants are experiencing regarding the impact of the RMA in this area, the kinds of problems faced, and the solutions found. This knowledge may assist your approach to future problems. A summary of the findings of this research will be sent to you.

The results will **not** be presented in a manner that allows the identification of individuals nor individual organisations.

By returning the completed questionnaire by 15 September 1995, in the enclosed self-addressed envelope, you will be entered in the draw to win a \$60 music voucher!

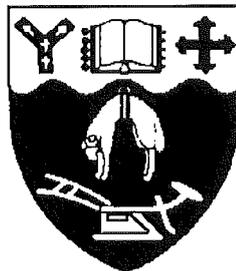
Thank you, in advance, for your help.

Yours faithfully

Julie Hercock

The survey instrument.

**An Investigation into the Impact of
the Resource Management Act
1991 on the Provision of
Accounting Information by
Regional Councils in Annual Plans
and Annual Reports.**



*Department of Accountancy, Finance
and Information Systems
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Researcher : Julie Hercock
Private Bag 4800 Christchurch New Zealand 8001
Telephone : (03) 364 2710
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Thank you for being prepared to complete this survey. Most questions can be answered by ticking the appropriate box or circling the number which best represents your opinion. In some cases further information may be required.

**Section 1: Policy Statements and Regional Plans required under
The Resource Management Act 1991 (RMA).**

1. Does your regional council prepare a Regional Policy Statement?

Yes.

No.

2. Does your regional council prepare a Regional Coastal Plan?

Yes.

No.

3. Does your regional council prepare any other Regional Plans?

Yes.

No.

Section 2: Definition of Terms.

Please note throughout this questionnaire RMA Requirements means *progress made towards objectives as outlined in regional plans and policy statements.*

Section 3: **Should a regional council provide information to the public on RMA requirements?**

Please note: This section asks for your opinion about what information **should be provided**, rather than what information is currently being provided.

To what extent do you agree / disagree with the following statements? Please circle the appropriate number.

	Strongly Disagree							Strongly Agree	
1. A regional council should provide information to the public on RMA requirements.	1	2	3	4	5	6	7		
2. A regional council should provide information on RMA requirements within an annual plan and annual report .	1	2	3	4	5	6	7		
3. The provision of information within an annual plan and annual report on RMA requirements would assist regional councils in implementing and achieving the <u>purpose</u> of the RMA. (To promote sustainable management of natural and physical resources).	1	2	3	4	5	6	7		
4. The long term goals of the RMA may be easier to achieve if information on short term targets is provided in an annual plan and annual report.	1	2	3	4	5	6	7		
5. Annual plans and annual reports need to be <u>modified</u> to ensure that adequate disclosure is made regarding the provision of information on RMA requirements.	1	2	3	4	5	6	7		

For questions 6 and 7, please note that:

In accordance with the Local Government Act 1974, in an annual plan and annual report a regional council must disclose information about their “significant activities”.

The RMA requires a regional council to manage certain functions (as stated below).

To what extent do you agree / disagree with the following statement? Please circle the appropriate number.

6. Managing the following functions constitutes a “significant activity” that should be disclosed in an annual plan and annual report.	Strongly Disagree	Strongly Agree
Land and Soil use.	1 2 3 4 5 6 7	
Landscape and Ecology.	1 2 3 4 5 6 7	
Water.	1 2 3 4 5 6 7	
Beds of Rivers, Lakes and their Margins.	1 2 3 4 5 6 7	
Coastal Environment.	1 2 3 4 5 6 7	
Coastal Marine Area.	1 2 3 4 5 6 7	
Settlement and the Built Environment.	1 2 3 4 5 6 7	
Air.	1 2 3 4 5 6 7	
Energy.	1 2 3 4 5 6 7	
Transport.	1 2 3 4 5 6 7	
Natural Hazards.	1 2 3 4 5 6 7	
Hazardous Substances.	1 2 3 4 5 6 7	
Solid and Hazardous Waste.	1 2 3 4 5 6 7	
Other _____ (please specify)	1 2 3 4 5 6 7	

Please tick the appropriate box.

7. The law should be clarified to ensure that management of these functions constitutes “significant activities” which **should be** reported in an **annual plan** and **annual report**. The amendments should be to the:

- Local Government Act 1974. No Yes
- RMA. No Yes
- Other (please specify) _____ No Yes

To what extent do you agree / disagree with the following statements? Please circle the appropriate number.

- | | | | | | | | | |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|---|---|---|---|---|---------------------------|
| 8. | If information is provided to the public in annual plans and reports on RMA requirements, it should be displayed using the following techniques: (you may choose more than one). | Strongly
Disagree | | | | | | Strongly
Agree |
| | <ul style="list-style-type: none"> ● Predominantly quantitative (numerical). ● Predominantly qualitative (written). ● Statement of Service Performance:
 <li style="padding-left: 40px;">Inputs: Resources used to produce goods and services. <li style="padding-left: 40px;">Outputs: Goods and services produced. <li style="padding-left: 40px;">Outcomes: Impacts on, or consequences for, the community resulting from the existence and operations of the regional council. ● Pictorial reports including diagrams, maps, graphs and drawings illustrating activities. ● Other (please specify)_____. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

To what extent do you agree / disagree with the following statements? Please circle the appropriate number.

- | | | | | | | | | |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|---|---|---|---|---|---------------------------|
| 9. | Providing information, as indicated in questions 1 to 8 (of section 3), would give an adequate display of information. | Strongly
Disagree | | | | | | Strongly
Agree |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 10. | The provision of information to the public within an annual plan and annual report on RMA requirements would have high compliance costs. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Note that **RMA Requirements** means *progress made towards objectives as outlined in regional plans and policy statements*.

Section 4: Current provision of information to the public about RMA requirements.

The previous section asked for your opinion about what information **should** be provided in annual plans and annual reports. This section asks about what information is **currently** being provided.

Please circle the appropriate number.

1. What is the extent to which your regional council currently provides information on RMA requirements on each of the following?	Not at all						Extensively
	1	2	3	4	5	6	7
• Allowing access to information stored at the regional council office.	1	2	3	4	5	6	7
• Including notices in prominent places in a public newspaper or the <i>Gazette</i> .	1	2	3	4	5	6	7
• Sending out circulars to each constituent in the community.	1	2	3	4	5	6	7
• Issuing a separate annual document.	1	2	3	4	5	6	7
• Publishing annual plans and annual reports.	1	2	3	4	5	6	7
• Other (please specify) _____	1	2	3	4	5	6	7

Please circle the appropriate number.

2.	To what extent does your regional council currently display information on RMA requirements using the following techniques: (you may choose more than one).	Not at all					Extensively	
	● Predominantly quantitative (numerical).	1	2	3	4	5	6	7
	● Predominantly qualitative (written).	1	2	3	4	5	6	7
	● Statement of Service Performance:	1	2	3	4	5	6	7
	Inputs: Resources used to produce goods and services.	1	2	3	4	5	6	7
	Outputs: Goods and services produced.	1	2	3	4	5	6	7
	Outcomes: Impacts on, or consequences for, the community resulting from the existence and operations of the regional council.	1	2	3	4	5	6	7
	● Pictorial reports including diagrams, maps, graphs and drawings illustrating activities.	1	2	3	4	5	6	7
	● Other (please specify)_____.	1	2	3	4	5	6	7

To what extent do you agree / disagree with the following statements? Please circle the appropriate number.

3.	Information currently provided on RMA requirements:	Strongly Disagree					Strongly Agree	
	● Means the public is sufficiently informed.	1	2	3	4	5	6	7
	● Ensures that there has been <i>accountability</i> to the public. (Accountability is defined as the responsibility to give an account of the activities for which one is held responsible.)	1	2	3	4	5	6	7
	● Is adequate.	1	2	3	4	5	6	7
	● Has high compliance costs.	1	2	3	4	5	6	7

Section 5: Possible legislative implications of providing information on RMA requirements.

Please tick the appropriate box.

1. There **needs** to be clearer legislative guidelines about how to inform the public on RMA requirements. No Yes

If no, then go to section 6. If yes, please continue.

2. Given that there **needs** to be clearer legislative guidelines about how to inform the public on RMA requirements there should be amendments to the:
- Local Government Act 1974. No Yes
 - RMA. No Yes

To what extent do you agree / disagree with the following statements? Please circle the appropriate number.

3. There **needs** to be clearer legislative guidelines about how to inform the public on RMA requirements:
- | | Strongly Disagree | | | Strongly Agree | | | |
|----------------------------------------------------------------------|--------------------------|----------|----------|-----------------------|----------|----------|----------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| • Because there is a need for ongoing monitoring. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| • Because there is a need for rigorous mechanisms of accountability. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Section 6: General comments.

To what extent do you agree / disagree with the following statements? Please circle the appropriate number.

- | | Strongly
Disagree | | | | | | Strongly
Agree |
|-------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---|---|---|---|---|-------------------|
| 1. When a regional council provides information to the public on RMA requirements: | | | | | | | |
| • other organisations have better access to information regarding environmental activities in their region. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| • other organisations can react quickly to their requirements under the RMA. For example, submitting resource consents. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 2. Since its enactment the RMA has had an impact on the provision of information by regional councils in annual plans and annual reports. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

3. Do you have any general comments to add in relation to the impact the RMA has (or may have) on the provision of information by regional councils in their annual plans and annual reports?

Please Turn over.

The follow-up letter.



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September 11, 1995

«FirstName» «LastName»
«Title»
«Company»
«Address 1»
«City»

Dear «FirstName»

As part of my Master of Commerce Thesis being completed at the University of Canterbury, I recently mailed you a questionnaire. The purpose is to obtain opinions about the impact of the Resource Management Act 1991 on the provision of information by regional councils (and those councils with regional responsibilities) in annual plans and reports. This survey should have been answered by the accountant who co-ordinates and/or prepares the **annual plans** and **annual reports**. (I would have asked you to pass the survey on to the appropriate person, if it was not your role).

If you have already responded to this questionnaire, please consider this to be a "thank you". Otherwise please note that by returning the completed questionnaire by 22 September 1995, in the enclosed self-addressed envelope, you will be entered in the draw to win a \$60 music voucher! (The date has been extended by one week). I have enclosed an additional copy of the survey in case you did not receive the original.

Thank you, in advance, for your help.

Yours faithfully

Julie Hercock

The thank you letter.



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November 1, 1995

«FirstName» «LastName»
«Title»
«Company»
«Address 1»
«City»

Dear «FirstName»

I recently sent you a survey, the purpose of which was to obtain opinions about the impact of the Resource Management Act 1991 on the provision of information by regional councils (and those councils with regional responsibilities) in annual plans and reports. Thank you for your participation. As promised, please find enclosed a summary of the results.

You will recall that any persons returning the completed questionnaire by 22 September 1995 were entered into a draw to win a \$60 music voucher — xxx from xxx Council won this voucher!

Yours faithfully

Julie Hercock

Summary of Results.

Survey Title.

“An Investigation into the Impact of the Resource Management Act 1991, on the Provision of Accounting Information by Regional Councils in Annual Plans and Annual Reports.”

Response Rate.

The rate of useable responses was 76% (that is, 13 responses from 17 surveys sent).

Preparation of Policy Statements and Plans.

All respondent regional councils prepare both the compulsory Regional Policy Statement and the compulsory Regional Coastal Plan.

All respondent regional councils also prepare other optional Regional Plans.

Current Provision of Information.

Regional councils currently provide the public with information about progress made towards objectives (as outlined in their regional plans and policy statements). This information is made available in the following ways:

- within the council’s office and in public notices (newspapers or the *Gazette*) — this is the preferred method.
- in circulars — these are also used, but to a lesser extent. These are either sent out to all constituents or to targeted groups.
- in annual plans and annual reports — information is stated broadly. Some regional councils prefer to include this information in a separate document which discusses the current state of the environment.
- through public education (such as school visits, specific videos, or specialised publications) — this method was mentioned by few respondents.

Regional councils showed a general consensus about the optimum techniques for presenting information on progress made towards objectives (as outlined in regional plans and policy statements). There was general agreement that numerical data, written information, and pictorial reports were all important to some degree. These techniques are used in the production both of statements of service performance and other publications.

There was mixed opinion about whether information currently provided on progress made towards objectives (as outlined in regional plans and policy statements) meant that the public is sufficiently informed, and whether this information is adequate. There was also mixed opinion

about whether there is a high compliance cost associated with providing this information. However, respondents agree that information currently provided on progress made towards objectives (as outlined in regional plans and policy statements) ensures that there has been accountability to the public.

Most regional councils provide the public with information about two sections of the Resource Management Act 1991 (RMA). These are section 32 (duty to consider alternatives, and assess benefits and costs) and section 35 (duty to gather information, monitor and keep records). This information is generally provided within the council or in published reports, plans, or policy statements.

Preferred Disclosure.

There was strong agreement that the public should be provided with information on progress made towards objectives (as outlined in regional plans and policy statements). However, opinion varied as to whether this information should be included in the annual plans and annual reports.

There was a difference of opinion about whether the provision of information within an annual plan and annual report on progress made towards objectives (as outlined in regional plans and policy statements) would assist regional councils in implementing and achieving the purpose of the RMA. Respondents generally agreed that the RMA's long term goals may be easier to achieve if information on short term targets is provided in an annual plan and an annual report.

There was also mixed opinion as to whether annual plans and annual reports need to be modified to ensure that adequate disclosure is made of information on progress made towards objectives (as outlined in regional plans and policy statements).

There was varied opinion (but generally greater agreement than disagreement) as to whether managing the functions of the RMA constituted "significant activities" that should be disclosed in an annual plan and an annual report. Opinion was varied as to whether the law should be clarified. Comments indicated that these functions could be grouped or included within a significant activity, and that this classification should be based on the requirements within a region.

Respondents indicated that information provided in annual plans and annual reports about progress made towards objectives (as outlined in regional plans and policy statements) should be presented in a variety of formats. Preference was expressed for written information, pictorial reports and in particular, statements of service performance — with limited use of numerical data.

Generally respondents indicated mild to strong agreement that there would be high compliance costs associated with expressing information in this way (the 'preferred' form of disclosure). There was no consensus as to whether this information would give an adequate display of information.

Most respondents believed that information in relation to sections 32 and 35¹ of the RMA should not be disclosed in annual plans and annual reports.

Responses ranged from neutrality to agreement that when a regional council provides information to the public on progress made towards objectives (as outlined in regional plans and policy statements), two things happen:

- other organisations have better access to information regarding environmental activities in their region; and
- other organisations can react quickly to their requirements under the RMA.

Legislative Implications.

Just over half of the respondents believed there should be clearer legislative guidelines on the method of informing the public on progress made towards objectives (as outlined in regional plans and policy statements). These respondents generally indicated that both the RMA and the Local Government Act 1974 should be amended. Moreover, they agreed that this change was necessary because there is a need for ongoing monitoring. However, there was mixed opinion (with greater agreement than disagreement) as to whether this change is required as a result of a need for rigorous mechanisms of accountability.

General Comments.

Opinion varied about whether the RMA has had an impact on the provision of information by regional councils in annual plans and annual reports.

Comments included in the surveys indicated concern that annual plans and annual reports could become too large if they included information on progress made towards the objectives outlined in regional plans and policy statements. However, this information should be included, but stated broadly. Alternatively, this information could be published in a separate annual report which would outline the state of the environment.² Members of the public could also obtain specific or detailed information by approaching a regional council directly.

¹ As previously outlined.

² Has been called a 'Regional Environment Report' and the 'State of the Environment Report'.