1   Background

This Compendium of Indigenous data is drawn entirely from information contained in the Report on Government Services 2005. The Report, which is published annually, is the product of the Review of Government Services Provision. Heads of government established the Review of Government Service Provision (the Review) in 1993 to provide information on the effectiveness and efficiency of government services in Australia (see box 1.1).

Box 1.1   Terms of reference for the Review of Commonwealth/State Service Provision

The Review, to be conducted by a joint Commonwealth/State and Territory government working party, is to undertake the following:

- establish the collection and publication of data that will enable ongoing comparisons of the efficiency and effectiveness of Commonwealth and State government services, including intra-government services. This will involve:

  – establishing performance indicators for different services which would assist comparisons of efficiency and effectiveness. The measures should, to the maximum extent possible, focus on the cost effectiveness of service delivery, as distinct from policy considerations that determine the quality and level of services; and

  – collecting and publishing data that are consistent with these measures. The Review should also address the procedures for the ongoing collection and publication of benchmark data; and

- compile and assess service provision reforms that have been implemented or are under consideration by Commonwealth and State Governments.

The Review will cover all major types of reform, including those involving the separation of policy development from service provision. Case studies of particular reforms could be provided where appropriate.

The Review will need to keep abreast of developments in other relevant reviews and working parties, including the Commonwealth/State Government working party (initiated by the Council of Australian Governments), investigating Commonwealth/State government roles and responsibilities.

Source: Report on Government Services, 2005, p. xxii

A Steering Committee, comprising senior representatives from the central agencies of all governments, manages the Review with the assistance of a Secretariat provided by the

Productivity Commission. The Steering Committee has overall responsibility for the work of the Review, including its annual publication, the *Report on Government Services*. The Review was established under the auspices of the Council of Australian Governments (COAG) in 1993 to:

- provide ongoing comparisons of the performance of government services

- report on service provision reforms that governments have implemented or that are under consideration.

The *Report on Government Services 2005* (2005 Report), now in its tenth edition, is a tool for government. It has been used for strategic budget and policy planning, and for policy evaluation. Information in the Report has been used to assess the resource needs and resource performance of departments. It has also been used to identify jurisdictions with whom to share information on services.

The data in this Report can also provide an incentive to improve the performance of government services, by:

- enhancing measurement approaches and techniques in relation to aspects of performance, such as unit costs and service quality

- helping jurisdictions identify where there is scope for improvement

- promoting greater transparency and informed debate about comparative performance.

The Report examines the performance of the service elements for which government is responsible and accountable. The focus is on reporting information on effectiveness, efficiency and equity dimensions of government expenditure, linked to the purchase or supply of specific services rather than to general government income support. The Report thus covers aged care but not the aged pension, disability services but not disability pensions, and children's services but not family payments (although descriptive information on income support is provided in some cases). Commonwealth Rent Assistance is reported on the basis that it is a targeted payment to assist in the purchase of housing services, and is not general income support (chapter 16).

The work involved in assembling the data and performance indicators is conducted by Working Groups for each of the service areas. These comprise officials from relevant agencies across all governments, with a convenor drawn from the Steering Committee. Services covered by the Review include:

- Education

- Health

- Justice

- Emergency management

- Community services

- Housing.

Indigenous reporting

In May 1997, the Prime Minister asked the Review to give particular attention to the performance of mainstream services in meeting the needs of Indigenous Australians.

In 2002, COAG asked the Steering Committee to prepare a regular report on key indicators of Indigenous disadvantage as part of the COAG reconciliation commitment. The first edition of this report, *Overcoming Indigenous Disadvantage: Key Indicators 2003* (the Indigenous Disadvantage Report) (SCRGSP 2003), was released in November 2003. In contrast to the Report on Government Services with its focus on the efficiency and effectiveness of individual services, the Indigenous Disadvantage Report focuses on outcomes for Indigenous people. The reporting framework has two tiers: 'headline' indicators for the longer term outcomes sought; and a second tier of 'strategic areas for action' indicators that are more directly responsive to government policies and programs. The 2003 Indigenous Disadvantage Report is included on the CD-ROM that accompanies the Report on Government Services, and can be found on the Review web page (www.pc.gov.au/gsp).

The Indigenous Disadvantage Report and the Report on Government Services have different, but complementary roles. The Indigenous Disadvantage Report describes overall 'state-of-the-nation' outcomes for Indigenous people, for which more than one government department or agency will be responsible. There is no reporting on an individual government agency basis and State/Territory comparisons will not always be appropriate.

In contrast, the Report on Government Services will continue to provide information, through key indicators, on the performance of specified government agencies and programs in delivering services to Indigenous people.

The new performance indicator framework

The Steering Committee modified its general framework for performance indicators in 2002 and this framework has now been implemented in all chapters. The new approach reflects governments' adoption of accrual accounting and brings out more clearly the Review's focus on outcome oriented performance information. The new framework also accentuates the importance of equity and draws out the distinction between equity and access.

While the Report has never sought to identify best practice, the information in the Report could be used to help jurisdictions determine appropriate benchmarks (box 1.2).

Box 1.2   **Benchmarking**

Benchmarking service delivery is a systematic process of searching for and encouraging the introduction of best practice in the use of scarce resources, so as to deliver more efficient and effective services. The three main forms of benchmarking are: (1) results benchmarking (comparing performance within and between organisations using performance indicators of effectiveness and efficiency), (2) process benchmarking (analysing systems, activities and tasks that turn resource inputs and outputs into outcomes) and (3) setting best practice standards (establishing goals and standards to which organisations can aspire).

Benchmarking typically involves a number of steps. Whatever the chosen approach or focus, the steps usually include:

- deciding why, when, and what to benchmark
- analysing plans and performance (reviewing objectives and identifying performance indicators and own performance)
- establishing benchmarking partners
- obtaining the data and analysing differences
- identifying best practices and the most useful improvements
- implementing improvements in practice
- assessing improvements and re-benchmarking (MAB/MIAC 1996).

The performance information in the Report can contribute to many of the above steps in a results benchmarking cycle, including by identifying better approaches adopted by agencies' peers and thus helping governments to implement best practice.


The service process

When reviewing the framework, the relationships among objectives, inputs, outputs and outcomes were examined. Figure 1.1 portrays the influence of factors external to a service, and distinguishes between program efficiency and program effectiveness.

For each service, governments have a number of objectives that relate to desired outcomes for the community. To achieve these objectives, governments fund service providers and/or provide services. To do this, service providers transform funds/resources (inputs) into services (outputs). The rate at which resources are used to make this transformation is known as 'technical efficiency'. The impacts of these outputs on individuals, groups and the community are the outcomes of the service. The rate at which resources are used to generate outcomes is referred to as 'cost-effectiveness' in this Report. Often, outcomes are

also influenced by factors external to the service. Outputs too may be affected by external factors, but to a lesser extent. The glossary to the Report provides further definitions.

Figure 1.1 **Service process**
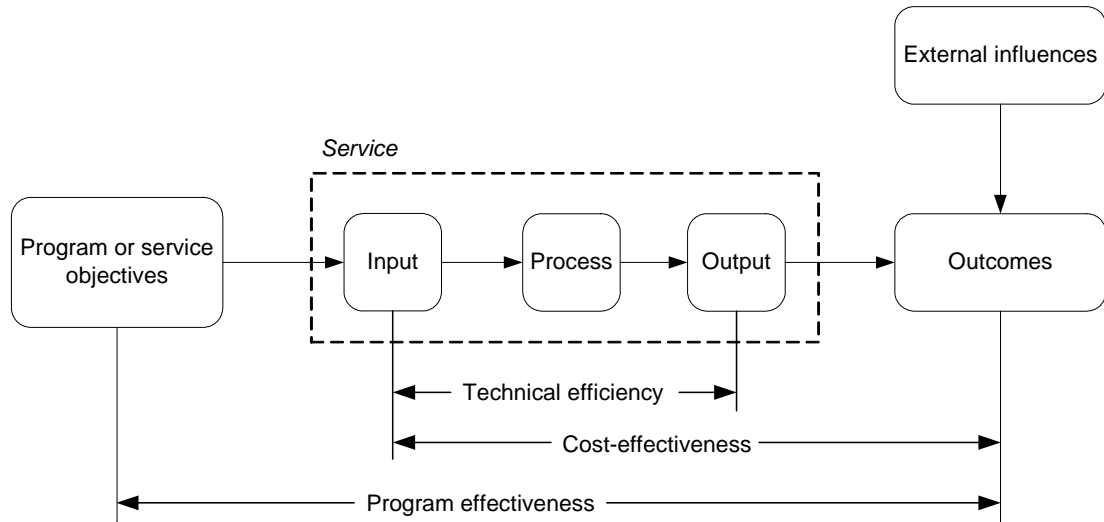
Example: fire services
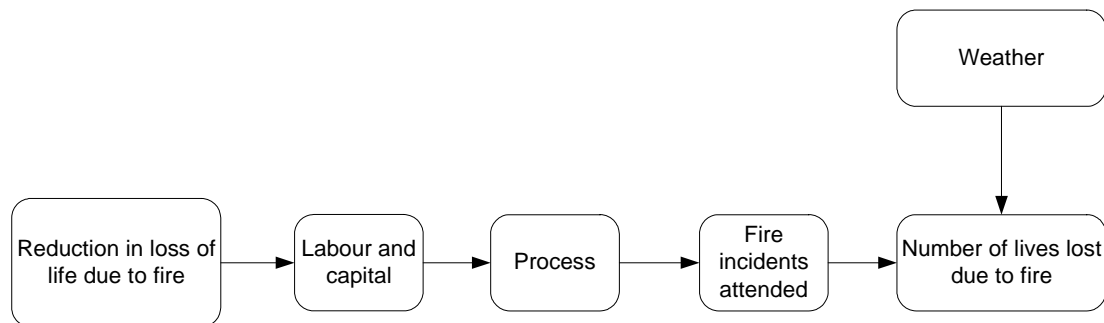
Objectives

A number of the objectives (or desired outcomes) for each government funded service are similar across jurisdictions, although the priority that each jurisdiction gives to each objective may differ. The Steering Committee's approach to performance reporting is to focus on the extent to which each *shared* objective for a service has been met. Objectives for each service are outlined, and performance indicators consistent with those objectives are reported.

Separating outputs and outcomes

Outcome indicators provide information on the impact of a service on the status of an individual or a group, and on the success of the service area in achieving its objectives,

although other factors may affect outcomes for an individual or group. The outcomes of a service should align with the objectives of the service. Outputs, on the other hand, are the services delivered.

While the aim of the Review is to focus on outcomes, they are often difficult to measure. The Report thus includes measures of outputs with an understanding that there is a correlation between some outputs and outcomes, and that measures of outputs can be proxies for measures of outcomes. For this reason, budget statements may specify that a service will aim to produce outputs with certain characteristics such as quality, timeliness and responsiveness. The new performance framework is set out in figure 1.2.

Figure 1.2   **A general framework and examples of performance indicators**
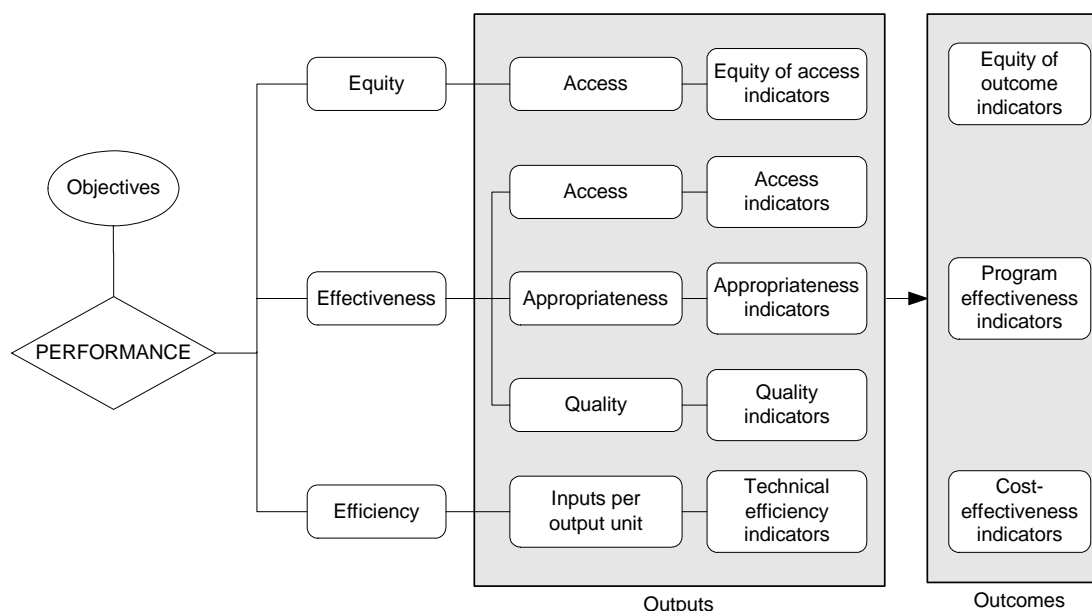
Outcomes may be short term (intermediate) or longer term (final). Short term outcomes are usually more closely linked to the operations of the service provider, whereas longer term outcomes are more affected by capital investment and external factors. A police random breath testing program (set up relatively quickly via a re-allocation of resources), for example, may achieve the intermediate outcome of fewer drunk drivers and lead to a short term reduction in road deaths, but the final outcome of a permanent long term reduction in road deaths will reflect external factors such as the design quality of cars and capital investment in improved roads or additional random breath testing units.

The approach in this Report is to:

• use both short term (or intermediate) and long term (or final) outcome indicators as appropriate where possible

• make clear that the service is only one contributing factor and, where possible, point to data on other factors. (Appendix A contains detailed statistics and short profiles on

each State and Territory, which may assist in interpreting the performance indicators presented in this Report.)

Output indicators can be grouped according to the desired characteristics of a service — for example, accessibility, appropriateness or quality. These desired characteristics may differ across services. By contrast, outcomes depend on the performance of a service in a number of characteristics, and are subject to external factors; as such, they are not grouped in the same way.

Equity, effectiveness and efficiency

Since its inception, the Review has taken a comprehensive view of performance monitoring, acknowledging the tradeoffs inherent in allocating resources and the dangers of analysing only some aspects of the service. A unit of service may have a high cost but be more effective than a lower cost service in meeting each client's specific needs and, therefore, be more cost-effective. Performance assessment should thus incorporate indicators across all relevant dimensions.

In the past, the Review framework gave equal prominence to effectiveness and efficiency as the two overarching dimensions of performance. Equity was treated as a subdimension of effectiveness. Performance literature, on the other hand, often refers to equity as a third element of performance, separate from effectiveness and efficiency. The principal reason for the separation is that effectiveness indicators are generally absolute measures of performance, whereas equity indicators relate to the gap between service delivery outputs and outcomes for special needs groups and the general population. The Review's new framework reflects this approach.

Moreover, accentuating equity highlights the potential for tradeoffs across all three performance dimensions — equity, effectiveness and efficiency. Improving outcomes for a group with special needs, for example, may necessitate a decrease in measured efficiency. Assessing performance across all three dimensions remains important.

Equity

The term 'equity' has a number of interpretations, which are discussed in box 1.3. Equity in the context of this Report reflects equity of access, whereby all Australians are expected to have adequate access to services. Equity indicators measure how well a service is meeting the needs of certain groups in society.

Facilitating access to key services for people with special needs is an important reason for governments to fund services (for example, housing services for those having difficulties accessing housing in the private sector). A number of criteria can be used to classify those groups who may have special difficulties in accessing government services. These include:

- language or literacy proficiency

- gender

- age

- physical or mental capacity

- race or ethnicity

- geographic location.

In May 1997, the Prime Minister (with the support of the Premiers and Chief Ministers) requested that the Review give particular attention to the performance of mainstream services in relation to Indigenous Australians. Improvements to reporting for this group are discussed in chapter 2. The Indigenous Disadvantage Report (mentioned earlier) focuses on outcomes for Indigenous Australians in a range of 'strategic' areas, and complements the Report on Government Services, which will continue to include indicators on the delivery of services to Indigenous Australians.

Identifying service recipients as belonging to groups with special access difficulties poses challenges, particularly when relying on client self-identification. If members of such groups are required to identify themselves, then the accuracy of the data will partly depend on how a group perceives the advantages (or disadvantages) of identification and also whether such perceptions change over time. Varying definitions of these groups in data collections over time and across jurisdictions and service areas may also create comparability problems.

The Report often uses the proportion of each target group in the broader community as a point of comparison when examining service delivery to special needs groups. This approach is sensible for some services (for example, schools), but must be treated with caution for other services (for example, aged care). Another option is to collect a more accurate profile of need (for example, the Supported Accommodation Assistance Program's collection of data on the characteristics of those seeking assistance).

Where geographic location is used to identify groups with special needs, data are usually disaggregated according to either the metropolitan, rural and remote area classification system or the Australian Bureau of Statistics' (ABS) Australian Standard Geographical Classification of remoteness areas. These classifications are generally based on population density and/or the distance that residents need to travel to access services. The geographic classification system used in each chapter is outlined in chapter 2.

Such classifications are imperfect indicators of the time and cost of reaching a service. Further, they do not consider the client's capacity to bear the cost of receiving the service (Griffith 1998). To improve the model, service centre locations would need to be reclassified according to the services they provide and the client's cost of receiving the service. Moreover, for some services, classification systems based on distance or population are not useful indicators of access to services — for example, ambulances can sometimes respond more quickly in rural areas than in metropolitan areas because there is less traffic.

Effectiveness

Effectiveness indicators reflect how well the outputs of a service achieve the stated objectives of that service. Indicators of the effectiveness of outputs in the new framework can be grouped according to desired characteristics that are considered important to the service. For most chapters, these desired characteristics include access, appropriateness and/or quality.

Access

Access indicators reflect how easily the community can obtain a delivered service (output) (for example, access to school education and police services). In this Report, access has two main dimensions, undue delay (timeliness) and undue cost (affordability). Timeliness indicators used to measure access in this Report include waiting times (for example, in public hospitals and for aged care services). Affordability indicators relate to the proportion of income spent on particular services (for example, out-of-pocket expenses in children's services).

Appropriateness

Appropriateness indicators measure how well services meet client needs. An appropriateness indicator for the Supported Accommodation and Assistance Program, for example, is the proportion of clients receiving the services that they are judged to need. Appropriateness indicators also seek to identify the extent of any underservicing or overservicing (Renwick and Sadkowsky 1991).

Some services have developed measurable standards of service need against which the current levels of service can be assessed. The 'overcrowding' measure in housing, for example, measures the appropriateness of the size of the dwelling relative to the size of the tenant household. Other services have few measurable standards of service need; for example, the appropriate number of medical treatments available for particular populations is not known. Data on differences in service levels, however can indicate where further work could identify possible underservicing or overservicing.

Quality

Quality indicators reflect the extent to which a service is suited to its purpose and conforms to specifications. The Review includes indicators of service quality because they are important to performance assessment and policy formulation. Information about quality is particularly important for performance assessment when there is a strong emphasis on increasing efficiency (as indicated by lower unit costs). Moreover, there is usually more than one way in which to deliver a service, and each alternative has different implications for cost and quality. Information about service quality is needed to ensure governments consider all useful delivery alternatives.

The Steering Committee's approach is to identify and report on *aspects* of quality, particularly actual or implied competence. Actual competence can be measured by the frequency of positive (or negative) events resulting from the actions of the service (for example, deaths resulting from health system errors such as an incorrect dose of drugs). Implied competence can be measured by the extent to which aspects of the service delivery process (such as inputs, processes and outputs) conform to specifications — for example, through accreditation.

Data generated by services for quality control purposes can often be a useful source of information for quality indicators. To the extent that aspects of service delivery (such as inputs, processes and outputs) conform to specifications, they are proxies for quality outputs — for example, the level of accreditation of public hospitals and facilities for aged care.

The framework of indicators for this Report treats quality as one aspect of effectiveness and distinguishes it from access and appropriateness (figure 1.3). This distinction is somewhat artificial because these other aspects of service provision also contribute to a meaningful picture of quality. No perfect indicator of service quality exists; each indicator has its own strengths and weaknesses.

Efficiency

Efficiency indicators reflect how well services use their resources to produce outputs and achieve outcomes. Government funding per unit of service is typically used as an indicator of technical efficiency — for example, recurrent funding per annual curriculum hour for vocational education and training. Such an indicator is unlikely, however, to encompass a service's full cost to society.

Where possible, full unit costs are used as the indicator of efficiency. Comparisons of unit cost of a service are a more meaningful input to public policy when they use the full cost to government, accounting for all resources consumed in providing the service. Problems can occur when some costs of providing services are overlooked or treated inconsistently (for example, superannuation, overheads or the user cost of capital). The Steering Committee believes, where full cost information is not available in the short term, that data should at least be calculated consistently across jurisdictions. Further, data treatment should be fully transparent.