1 Background

This compendium of Indigenous data is drawn entirely from information contained in the *Report on Government Services 2008* (2008 Report). The Report, which is published annually, is the product of the Review of Government Services Provision.

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 (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.

(Continued on next page)

Box 1.1 **(Continued)**

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 2008, p. xxviii

The Report, now in its thirteenth 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 focus of this Report is on the effectiveness and efficiency of government purchase or supply of specific services, rather than on 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).

This thirteenth Report on Government Services contains performance information on 14 service areas (2008 Report, box 1.1, p. 1.6). These government services have two important features:

- their key objectives are common or similar across jurisdictions
- they make an important contribution to the community and/or economy.

Services covered by the Review include:

- early childhood education and training
- justice
- emergency management
- health
- community services
- housing.

Indigenous reporting

In May 1997, the Prime Minister asked the Review 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. The second edition of this report was released in July 2005 (SCRGSP 2005) and the third edition was released in July 2007 (SCRGSP 2007).

The 2003, 2005 and 2007 Indigenous Disadvantage Reports are 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).

In contrast to the Report on Government Services with its focus on the efficiency and effectiveness of specific services, the Indigenous Disadvantage Report focuses on outcomes for Indigenous people. It does not report on individual government services. The reporting framework has two tiers: 'headline' indicators for the longer term outcomes sought; and a second tier of 'strategic change indicators' that are potentially responsive to government policies and programs in the shorter term.

The Indigenous Disadvantage Report and the Report on Government Services have different, though complementary roles. The Indigenous Disadvantage Report describes overall 'state-of-the-nation' outcomes for Indigenous people, with a view to all government departments and agencies together being responsible, so there is no reporting on an individual government agency basis. The Indigenous Disadvantage Report will not necessarily feature State/Territory comparisons and nor does it focus on government service provision.

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.

Benchmarking

While the Report does not establish best practice benchmarks, governments could use the information in the Report to identify 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 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).

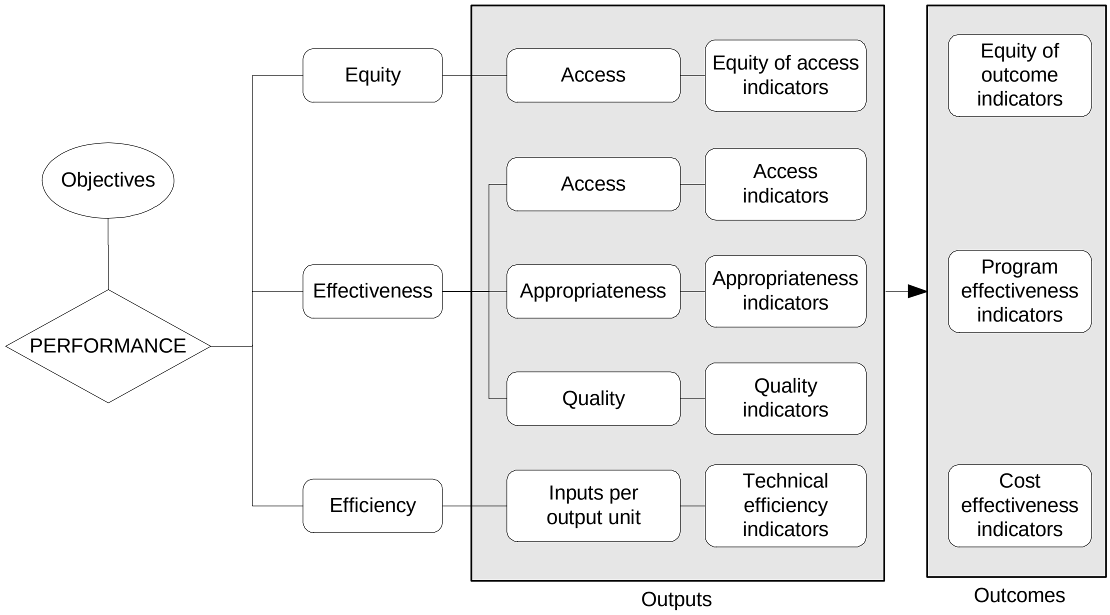
The performance information in the Report can contribute to many of the above steps in a results benchmarking cycle, and thus help governments to implement best practice.

The performance indicator framework

The Steering Committee revised the general framework for performance indicators in 2002 and this framework has now been implemented in all chapters. The revised approach reflects governments' adoption of accrual accounting and depicts the Review's focus on outcomes, consistent with demand by governments for outcome oriented performance information. The framework also emphasises the importance of equity and draws out the distinction between equity and access.

The Report's general performance framework is set out in figure 1.1.

Figure 1.1 **A general framework and examples of performance indicators**



Source: 2008 Report, figure 1.2, p. 1.12.

The service process

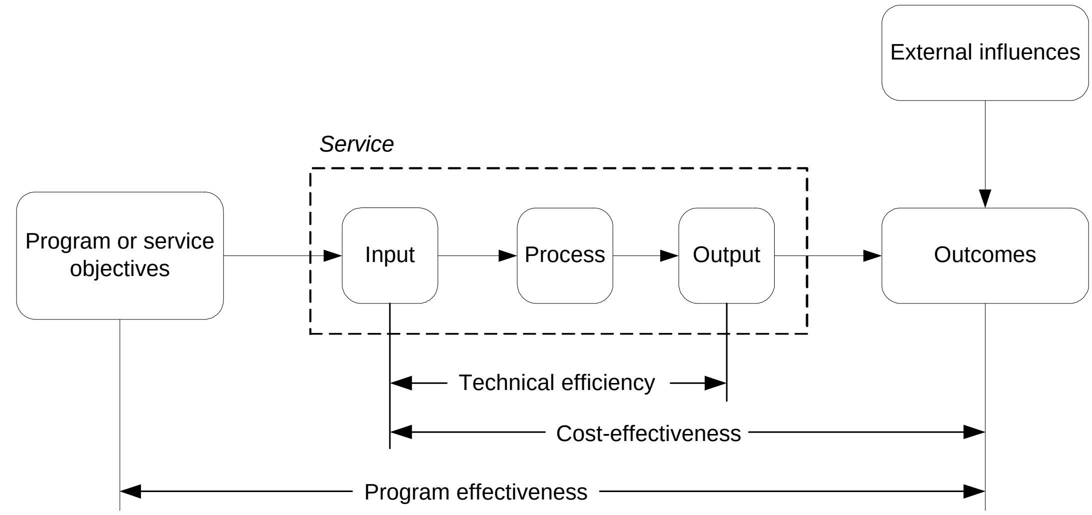
The general framework reflects the service process through which service providers transform inputs into outputs and outcomes in order to achieve desired objectives.

For each service, governments have a number of objectives that relate to desired outcomes for the community. To achieve these objectives, governments provide services and/or fund service providers. 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'.

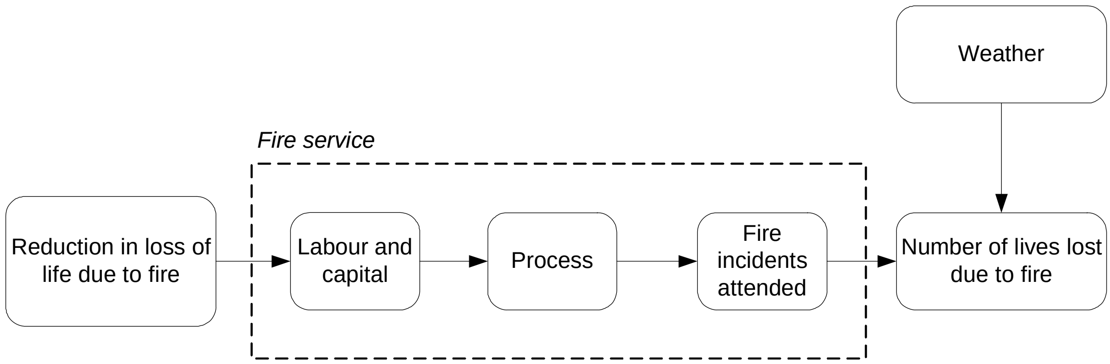
The impact of these outputs on individuals, groups and the community are the outcomes of the service. The rate at which resources are used to generate outcomes is referred to as 'cost effectiveness' in this Report. Often, outcomes are also influenced by factors external to the service. Outputs too may be affected by external factors, but to a lesser extent. The glossary to the Report provides further definitions. Figure 1.2 distinguishes between program efficiency and program effectiveness, and notes the influence of factors external to a service.

Figure 1.2 **Service process**

Example: general model



Example: fire services



Source: 2008 Report, figure 1.3, p. 1.13.

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 that measure the achievement of those objectives are reported.

Distinguishing outcomes and outputs

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. Outputs, on the other hand, are the services delivered.

Outcomes may be short term (intermediate) or longer term (final). A short term police random breath testing ‘blitz’, for example, may achieve the intermediate outcome of fewer drunk drivers and lead to a short term reduction in road deaths. The longer term outcome of a permanent reduction in road deaths is more likely to reflect external factors such as the design quality of cars and capital investment in improved roads or additional permanent random breath testing units.

The approach in the Report is to:

- use both short term (or intermediate) and long term (or final) outcome indicators as appropriate
- make clear that government provided services are often only one contributing factor and, where possible, point to data on other factors, including different geographic and demographic characteristics across jurisdictions. (Appendix A contains detailed statistics and short profiles on each State and Territory, which may assist in interpreting the performance indicators presented in the Report.)

While the aim of the Review is to focus on outcomes, they are often difficult to measure. The Report therefore includes measures of outputs, with an understanding that there is a correlation between those outputs and desired outcomes, and that the measures of outputs are proxies for measures of outcomes.

The indicator framework groups output indicators according to the desired characteristics of a service — for example, accessibility, appropriateness or quality — where outputs with these characteristics are linked to achieving desired outcomes (figure 1.1). By contrast, outcome indicators are not grouped according to desired characteristics. Outcomes depend on a number of the characteristics of a service as well as being subject to external factors.

Equity, effectiveness and efficiency

There are inherent trade-offs in allocating resources and dangers in analysing only some aspects of a service. A unit of service may have a high cost but be more effective than a lower cost service, and therefore be more cost effective. Since its inception, the Report has taken a comprehensive view of performance reporting, and frameworks incorporate indicators across all relevant dimensions.

In the past, the Report framework gave equal prominence to effectiveness and efficiency as the two overarching dimensions of performance. Equity was treated as a sub-dimension 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 this separation is that effectiveness indicators are generally absolute measures of performance, whereas equity indicators relate to the gap in service delivery outputs and outcomes between special needs groups and the general population. The Review's framework now reflects this approach.

Accentuating equity highlights the potential for trade-offs across all three performance dimensions — equity, effectiveness and efficiency. Improving outcomes for a group with special needs, for example, may necessitate an increase in the average cost per unit of service.

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 with special needs.

Box 1.3 **Equity**

Equity is an important concept in economic literature, with two elements:

- horizontal equity — the equal treatment of equals
- vertical equity — the unequal but equitable ('fair') treatment of unequals.

In the context of this Report, *horizontal* equity is exhibited when services are equally accessible to everyone in the community with a similar level of need.

Service delivery exhibits *vertical* equity when it accounts for the special needs of certain groups in the community and adjusts aspects of service delivery to suit these needs. This approach may be needed where geographic, cultural or other reasons mean some members of the community have difficulty accessing a standard service.

A number of criteria can be used to classify those groups who may have special needs or 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. As previously mentioned, the Overcoming Indigenous Disadvantage report 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 those service recipients who belong to groups with special needs or 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 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 which are provided on a virtually universal basis (for example, schools), but must be treated with caution for other services, where service provision is based on the level of need, which may vary between groups (for example, services for people with a disability). 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 2007) 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 accessing 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 measure how well the outputs of a service achieve the stated objectives of that service. The reporting framework groups effectiveness indicators according to output characteristics that are considered important to the service. For most chapters, these characteristics include access, appropriateness and/or quality.

Access

Access indicators measure how easily the community can obtain a service. In this Report, access has two main dimensions, undue delay (timeliness) and undue cost (affordability). Timeliness indicators in this Report include waiting times (for example, in public hospitals and for aged care services). Affordability indicators in this Report 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. However, data on differences in service levels 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. Information about quality is particularly important for performance assessment when there is a strong emphasis on increasing efficiency (as indicated by lower unit costs). There is usually more than one way in which to deliver a service, and each alternative has different implications for both cost and quality. Information about quality is needed to ensure governments consider all relevant aspects of service performance.

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 proxy indicators, such as the extent to which aspects of a service (such as inputs, processes and outputs) conform to specifications — for example, the level of accreditation of public hospitals and aged care facilities.

The reporting framework includes quality as one aspect of effectiveness, and distinguishes it from access and appropriateness (figure 1.1). This distinction is somewhat artificial because these other aspects of service provision also contribute to a meaningful picture of quality.

Efficiency

The concept of efficiency has a number of dimensions. Overall economic efficiency requires satisfaction of technical, allocative and dynamic efficiency:

- technical efficiency requires that goods and services be produced at the lowest possible cost
- allocative efficiency requires the production of the set of goods and services that consumers value most, from a given set of resources
- dynamic efficiency means that, over time, consumers are offered new and better products, and existing products at lower cost.

This Report focuses on technical (or productive) efficiency. Technical efficiency indicators measure how well services use their resources (inputs) to produce outputs for the purpose of achieving desired outcomes. Government funding per unit of output delivered is typically used as an indicator of technical efficiency — for example, recurrent funding per annual curriculum hour for vocational education and training.

Comparisons of the 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 not included or are treated inconsistently (for example, superannuation, overheads or the user cost of capital). The Steering Committee approach, where full cost information is not available in the short term, is that:

- data should be calculated consistently across jurisdictions
- data treatment should be fully transparent.

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