
3 Expenditure framework principles

The Steering Committee has adopted the following high level principles to ensure that the National Framework will meet the needs of a wide range of data users:

- *A comprehensive approach* — The National Framework should provide a comprehensive collection that is sufficiently flexible to allow complex analysis, and be comparable to data collected for other purposes (section 3.1).
- *Alignment with COAG Indigenous outcome reporting* — The National Framework should allow reporting on expenditure in a manner consistent with the Council of Australian Governments (COAG) Working Group on Indigenous Reform (WGIR) statement of objectives, outcomes and measures and the COAG Overcoming Indigenous Disadvantage (OID) report framework (section 3.2).
- *Reported results can be clearly interpreted* — The Indigenous Expenditure Report (IER) should be presented in a format that is useful to policy makers. This includes a clear link between expenditure and outcomes, an acknowledgement of other influencing factors and an explicit statement of the reliability of the estimates (section 3.3).

These principles represent the aspirational goals of the Steering Committee but could take several report cycles to achieve because the exercise is complex and new to most jurisdictions.

3.1 A comprehensive approach

Given the significant resources that will be committed to collecting and reporting data under the National Framework, the Steering Committee has endeavoured to ensure that the data will have as wide an application as possible, and will be consistent with, and reconcilable to, expenditure data collected and reported for other purposes.

The Steering Committee considers that these objectives can best be facilitated by developing a National Framework that:

- *includes all types of government expenditure* — The terms of reference require the Steering Committee to consider both specific and mainstream government expenditure in order to measure total expenditure on services to Indigenous

people. The National Framework, at a high level, takes into consideration the full breadth of government expenditure, regardless of whether it relates directly to areas of specific Indigenous disadvantage (for example, expenditure on multi-mode urban transport). This allows aggregate expenditure collected under the National Framework to be reconciled with data collected for other purposes.

- *is based on the ABS Government Finance Statistics (GFS) Input Classifications* — The GFS Classifications provide an established framework of definitions and classifications for coding and analysing government expenditure. The most important of these classifications, the Government Purpose Classification (GPC), provides the basic framework for the National Framework (appendix A).

The adoption of the GPC will provide a high level of consistency between the National Framework and other national expenditure data collections that follow these classifications. Basing the National Framework on the GPC should also reduce the administrative burden on jurisdictions, as all Treasuries have experience extracting data from their information systems in formats consistent with the GFS/GPC.

- *provides levels of disaggregation that facilitate complex analysis* — Data that can be analysed from a range of perspectives have greater analytical value. Initially, the data will be collected and reported by expenditure category and jurisdiction. Over time, it is expected that ongoing development of the National Framework will allow data to be reported on a basis which facilitates meaningful policy analysis (for example, sub-jurisdiction, program/portfolio expenditure, age/sex).
- The high-level National Framework can also be extended by other researchers for more detailed analysis, for example at the regional or community level, or by specific sub-populations of interest (such as women or young people).

The Steering Committee anticipates that improving the quality and level of disaggregation of reporting will be part of a process of continual development over a number of report cycles. This will help ensure that the report meets the needs of governments.

3.2 Alignment with COAG Indigenous reform agenda

A key objective of the National Framework is to provide information that will enable governments to gauge the effectiveness of, and better target, policy responses to Indigenous disadvantage. Therefore the National Framework is closely aligned with other COAG policies and programs targeted at Indigenous disadvantage, and their associated reporting mechanisms.

Monitoring of Indigenous outcomes

COAG has endorsed three priority outcomes for overcoming Indigenous disadvantage:

- safe, healthy and supportive family environments with strong communities and cultural identity
- positive child development and prevention of violence, crime and self-harm
- improved wealth creation and economic sustainability for individuals, families and communities.

To achieve these targets, governments have agreed to focus their efforts on seven strategic areas of activity:

- early child development
- education and training
- healthy lives
- economic participation
- home environment
- safe and supportive communities
- governance and leadership

The COAG WGIR and the Steering committee for the Review of Government Service Provision (which produces the Overcoming Indigenous Disadvantage report for COAG) have developed a series of strategic change indicators for measuring progress in each of these strategic areas (table 3.1).

Mapping the GPC to the outcomes framework

The Steering Committee has aligned the National Framework with COAG's strategic areas for action (and associated indicators). The third column of table 3.1 presents a concordance between the GPC and the WGIR strategic areas for action.

In a relatively few instances, the standard GPC classifications are too aggregated to map accurately to the WGIR strategic areas of action. In these instances, the Steering Committee proposes extending the standard GPC classifications to include additional sub-categories that can be mapped to the strategic areas. (The proposed extension to the GPC is for the purposes of the National Framework only, and is not a revision to the official ABS classification.) In this stocktake report, the extended classification is referred to as the GPC+ (appendix A).

Table 3.1 COAG Working Group on Indigenous Reform building blocks

<i>WGIR Strategic areas of action</i>	<i>Strategic change indicators</i>	<i>Potential expenditure purpose classifications (appendix A)</i>
Early child development	<ul style="list-style-type: none"> • Basic skills for life and learning • Injury and preventable disease • Early childhood hospitalisations • Maternal age at first birth • Birth weight • Maternal health • Hearing impediments 	<ul style="list-style-type: none"> • Childcare • Preschool (see table A.2 for detail)
Education and training	<ul style="list-style-type: none"> • School enrolment and attendance • Years 10 and 12 retention • Year 9 attainment • Transition from school to work • Teacher quality • Indigenous cultural studies 	<ul style="list-style-type: none"> • School education • Vocational Education and Training • Higher education (see table A.3 for detail)
Economic participation	<ul style="list-style-type: none"> • Labour market participation (full/part time) by sector and occupation • Income support • Indigenous owned or controlled land and business • Home ownership 	<ul style="list-style-type: none"> • Other labour and employment services • Social security (see table A.4 for detail)
Healthy lives	<ul style="list-style-type: none"> • Access to primary health • Potentially preventable hospitalisations • Avoidable mortality • Tobacco consumption and harm • Obesity and nutrition • Mental health • Tooth decay • Suicide and self-harm 	AIHW health classifications: ^a <ul style="list-style-type: none"> • Hospital/hospital services • Patient transport • Medical services • Other health practitioners • Benefit-paid pharmaceuticals • Other medications • Aids and appliances • Community health • Public health • Dental services • Health administration • Health research (see table A.5 for detail)
Home environment	<ul style="list-style-type: none"> • Overcrowding in housing • Rates of disease associated with poor environmental health • Access to clean water and functional sewerage and electricity services 	<ul style="list-style-type: none"> • Housing services • Municipal services • Transport services (see table A.5 for detail)

Table continued next page.

Table 3.1 (Continued)

<i>WGIR Strategic areas of action</i>	<i>Strategic change indicators</i>	<i>Potential expenditure purpose classifications (appendix A)</i>
Safe and supportive communities	<ul style="list-style-type: none"> • Drug and other substance use and harm • Repeat offending • Access to traditional lands • Juvenile diversions • Participation in organised sport, arts or community group activities • Alcohol consumption and harm 	<ol style="list-style-type: none"> 1. Public order and safety <ul style="list-style-type: none"> • Police services • Criminal courts services • Juvenile justice • Corrective services • Emergency management 2. Community support and welfare <ul style="list-style-type: none"> • Aged care services • Disability services • Protection and support services 3. Community development 4. Recreation and culture (see table A.6 for detail)
Governance and leadership	<ul style="list-style-type: none"> • Case studies in governance • Governance capacity and skills • Engagement with service delivery 	<ul style="list-style-type: none"> • Governance and leadership <p><i>(No concordance with GPC possible.)</i></p>

^a The GPC/GPC+ classification for the WGIR 'healthy lives' strategic area have been designed to be consistent with the Australian Institute of Health and Welfare classifications used for the *Expenditures on health services for Aboriginal and Torres Strait Islander people* report.

Further work is required, in consultation with Treasuries, on the minimum number of sub-categories required, and the definitions of expenditure to be included in each category.

3.3 Reporting and interpreting expenditure estimates

On its own, knowing what level of government expenditure is directed to Indigenous people is of limited value. To be useful to policy makers, data on expenditure need to be contextualised. This includes a clear link between expenditure and outcomes as well as an acknowledgement of other 'external factors' that might influence outcomes. It is also essential for policy makers to have a good understanding of the reliability of the data.

Linking expenditure and outcomes

Linking expenditure and outcomes allows the cost effectiveness of the expenditure to be examined. The Report on Government Services provides a useful illustration

of the key linkages between expenditure, outputs and outcomes, and the concepts of technical efficiency, and cost and program effectiveness (box 3.1).

There is likely to be interest from the general public and Commonwealth, State and Territory government ministers in a comparison between dollars spent at a broad expenditure category level and outcomes achieved. Such comparisons can provide:

- *an assessment of expenditure compared with need* — comparing expenditure with outcome measures for different jurisdictions, age and sex cohorts or for Indigenous and non-Indigenous people can provide a high level assessment of expenditure relative to need
- *a focus for more detailed cost effectiveness analysis* — comparing how levels of expenditure and outcome measures change over time can highlight areas where more detailed cost effectiveness analysis could be required.

The principal source of outcomes measures for high level comparisons of expenditure will be the *Overcoming Indigenous Disadvantage: Key Indicators* (OID) report. As noted above, the National Framework has been aligned with the WGIR strategic areas for action, which form the basis for OID reporting. High level outcomes information from the OID could therefore be included in relevant sections of the IER.

Other significant sources of outcomes information which may be drawn on include publications such as the Report on Government Services Indigenous Compendium, which collates information on the performance of a broad range of services provided to Indigenous people, and ABS and AIHW reports, such as the Health and Welfare of Australia's Aboriginal and Torres Strait Islander Peoples.

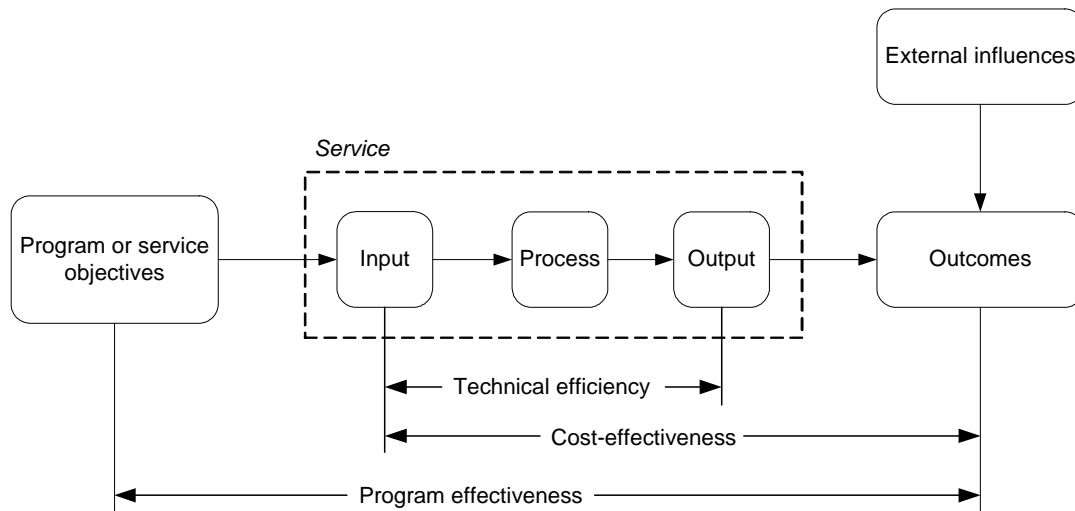
Limitations of linking expenditure to outcomes

Linking expenditure to outcomes at a high level can draw attention to areas where more detailed investigation should be undertaken, but is not a replacement for detailed program evaluation.

Even at a high level of aggregation, there are limits on the degree to which expenditure can be mapped to specific OID indicators. A further separate body of work would be required to consider linkages between multiple policy actions/services and particular outcomes. The Review of Government Services Steering Committee, for example has noted that the focus of most OID indicators is on outcomes, not on specific policy actions or services. As a consequence, it may not be possible to map expenditure data to all strategic change indicators. For example, government support for 'governance and leadership', or programs aimed

Box 3.1 Report on Government Services service process model

The performance framework used in the Report on Government Services describes the general process through which service providers transform inputs into outputs and outcomes in order to achieve desired objectives. The figure below distinguishes between program efficiency and program effectiveness, and notes the influence of factors external to a service.



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’. Often, outcomes are also influenced by factors external to the service. Outputs too may be affected by external factors, but to a lesser extent.

Another dimension of performance is equity. In the past, the RoGS 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 framework now reflects this approach.

Source: SCRGSP (2008).

at reducing ‘alcohol consumption and harm’ and ‘teenage birth rate’ are not able to be easily identifiable on a consistent national basis. Expenditure data for this limited

number of strategic change indicators could be more effectively collected on a case-study basis rather than trying to incorporate them into the National Framework.

Scope for more detailed cost effectiveness analysis

The National Framework will allow for high-level comparison of expenditure with the WGIR strategic change areas for action, down to individual indicator level for a limited number of expenditure categories. However, more detailed analysis at the program, or sub-jurisdiction level is likely to be beyond the scope of the National Framework.

However, the National Framework could improve the capacity of governments to undertake assessments of the cost effectiveness of their Indigenous programs in a manner that can be compared to national averages.

Comparators

The Steering Committee has identified a range of potential comparators that could provide additional context for reported expenditure estimates (box 3.2). Apart from many pressing data gaps (discussed below), each potential comparator has its limitations. The Steering Committee has identified the improvement of reporting on comparators as a priority for ongoing report development.

Data quality reporting

The National Framework will provide *estimates* of government expenditure on services to Indigenous and non-Indigenous Australians. Although the methodology for apportioning expenditure between Indigenous and non-Indigenous people (presented in chapter 4) is based on an established approach used in similar exercises,¹ there is an inherent level of uncertainty in any estimation process.

Part of this uncertainty arises from the scope of the report itself — for example, the need to allocate mainstream expenditures across Indigenous and non-Indigenous people. As the NT noted in its 2006 Indigenous expenditure review:

For example, should estimates account for direct spending on Indigenous-specific programs only, or include spending spread across mainstream services? How should

¹ This includes the AIHW estimates of expenditures on health services for Aboriginal and Torres Strait Islander people which was initiated in the late 1990s, and to a lesser extent, the more recent NT Indigenous expenditure reviews.

Box 3.2 Possible comparators and their limitations

To assess the cost effectiveness of the outcome achieved from a dollar of expenditure, a comparison needs to be made, either for the same service over time, or with other programs or services that are seeking to achieve similar outcomes. There are a number of possible comparators but each has its limitations. For example:

- *comparing government expenditure per Indigenous and non-Indigenous person* — differences in outcomes for similar levels of per capita expenditure can be influenced by many factors, such as the level of need, age structure of the populations and scale of private contributions
- *per capita comparison disaggregated by age or sex* — can overcome some of the issues associated with simple per capita comparison, but does not address levels of need. For example, on average, Indigenous people experience many of the problems of older age groups at earlier life stages
- *comparing expenditure for different geographical areas* — it can be difficult to identify the cost difference associated with providing services to different geographical locations. In some cases, it can be difficult to classify the location of the expenditure where a service is not provided in the beneficiary's usual residence.

Although these limitations cannot be easily overcome, they should not be overestimated. The use of comparators can still provide useful information to policy makers provided any limitations are clearly identified and appropriate contextual information provided.

government activities that do not directly provide a service to the public, such as the core functions of central agencies, be treated? There are also issues surrounding how attributed expenditure should be estimated: should it be based on client use or the total population share? How should cost differentials between servicing clients be treated? How should activities such as administrative services be attributed to specific population groups? (NT 2006, p. 9)

Further uncertainty arises from the need to use data from a wide range of sources to undertake the estimations. As discussed in chapter 5, the Steering Committee will need to draw on a number of data collections — of varying quality — in order to estimate service use.

Both the methodology assumptions and quality of data used to make estimations will influence how the estimated expenditure should be interpreted and used by policy makers. The Steering Committee will ensure that readers of the IER can independently assess the quality of the estimated results by:

- *documenting the methodology* — Information on the methodology and any data and parameters used in the estimation will be made publicly available. This will make the methodology transparent and also make the data more widely available for those wishing to undertake further analysis.

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- *data quality statements* — Over time, the Steering Committee will prepare data quality statements for all data used in the expenditure estimation process (box 3.3).² These statements will be made public to ensure that the quality of the final expenditure estimates is more transparent. Data quality statements will also help focus efforts to improve data quality.

Box 3.3 Data quality statements criteria

Data quality statements provide a criteria for assessing the general quality of a given data collection by providing answers to data quality questions such as:

- Where/who is the data collected from?
- How are respondents sampled if it is a survey?
- How often are data collected?
- How data are collected (paper form, upon registration)?
- How the data are compiled?
- Any checks/validation conducted on the data?
- State based inconsistencies in the data or the way it is collected and reported?
- Respondent bias or issue for any of the questions?

The following questions would also need to be explored to assess the Indigenous identifier in each dataset:

- Is the standard Indigenous question used?
- Is the same question used by all data collectors across all jurisdictions?
- How is the question asked? And who asks it?
- Is the question compulsory?
- Is the information collected in the same way by all the data collectors and across all jurisdictions?
- What is the estimated undercount?

To conduct these quality reviews, data from ABS collections could be used in a validation exercise to develop an understanding of potential under reporting, coverage and or data quality issues. This includes ABS collections such as:

- National Aboriginal and Torres Strait Islander Social Survey (NATSISS)
- National Aboriginal and Torres Strait Islander Health Survey (NATSIHS)
- Estimated Resident Population (ERP) and census counts.

These data sources could also be used to get an understanding of actual client numbers versus potential client numbers.

² Data quality statements will be based on the ABS data quality statements endorsed by COAG for use in National Agreement performance reporting.