
8 Improving performance measurement

Chapter 7 discussed mechanisms for improving two elements of good practice policy making namely, coordination between governments and stakeholders, and performance monitoring. This chapter discusses a comparative performance measurement framework as one means to further improve the performance monitoring aspect of ESD related policies and programs.

An important finding in this inquiry is that performance measurement with respect to ESD related activities — while not uniform across Commonwealth departments and agencies — is generally poor. There are two important implications of poor performance measurement:

- it is difficult to assess the efficiency and effectiveness of policies and programs against their objectives; and
- it is difficult to assess the relative efficiency and effectiveness of policies and programs with similar objectives.

In part, this stems from inadequacies in both the amount and quality of information collected with respect to ESD related policies and programs and, in certain cases, to a lack of clarity in the objectives of these programs. These issues have significant implications for the implementation and improvement of ESD related policies and programs.

8.1 Lessons from performance measurement in other areas

Across the whole of government, resources devoted to the collection of data and the development of performance indicators relating to government activities have increased in recent years. This reflects a desire on the part of governments to assess the performance of departments and agencies and to use this information to improve the effectiveness with which services are delivered to the community. It also allows the community to assess how well governments perform in meeting community needs in a cost effective way. Two key examples of this are projects under the auspices of the:

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- Steering Committee on National Performance Monitoring of Government Trading Enterprises (SCNPMGTE) (recently disbanded) which collected data and developed indicators to enable inter- and intra-state comparisons of the performance of government trading enterprises in sectors such as electricity, water, gas and ports; and
 - Steering Committee for the Review of Commonwealth/State Service Provision (SCRCSSP) which focuses on developing indicators, and providing data, for a range of social services provided by governments such as health, education and justice (box 8.1).

Both of these projects have focused on providing broadly comparable data on performance which allows governments, and the community, to assess how well departments and agencies (or government owned businesses) perform relative to each other in the provision of common services.

Both projects essentially evolved due to a lack of existing effective comparable performance data. They also both covered services, or areas, that absorb a significant level of government expenditure. For example, the services covered in the most recent SCRCSSP report (1999, p.3) accounted for approximately \$50 billion of government expenditure in 1997-98 — equivalent to around 26 per cent of government expenditure in that year and about 9 per cent of gross domestic product.

There is no systematic equivalent to the activities of either of these steering committee projects with respect to activities in core ESD policy areas — in particular areas of the natural environment and natural resource management. As concluded elsewhere in this report, a lack of performance measurement can be an impediment to improved policy making and implementation.

The Review of Commonwealth/State Service Provision project provides a useful example of data collection and performance measurement across jurisdictions. While the project currently publishes information, including performance indicators, for twelve key government services, the measurability of outputs and outcomes in these twelve areas varies significantly. In some cases identifying appropriate indicators of performance is relatively straight forward, as is the task of collecting data for measuring performance against them. For example, in the corrections area, it is relatively straight forward to measure levels of government expenditure per prisoner or prisoner escape rates.

Box 8.1 Steering Committee for the Review of Commonwealth/State Service Provision

The Review of Commonwealth/State Service Provision was a joint initiative of the Prime Minister, State Premiers and Territory Chief Ministers at the Premier's Conference of 1993.

The Review publishes performance data for a range of government funded, and largely government provided, services. One of its key tasks is to collect and publish data that will enable ongoing comparisons of the efficiency and effectiveness of Commonwealth, State and Territory Government services. Among other things, this involves the development of performance indicators for a range of government services that will allow such comparisons.

The steering committee has developed a general framework for the measurement of performance. It includes four major groups of effectiveness indicators: overall outcomes; access and equity; appropriateness; and quality. Efficiency is also measured (where possible) in terms of outputs per unit of input. Currently, data and indicators are published in twelve different service areas including education, health, housing and justice.

The Review has adopted a cooperative approach in developing indicators and in obtaining data to provide information on performance. Its structure comprises three key elements: a steering committee; a series of working groups; and an independent secretariat.

The steering committee which manages the Review comprises senior representatives of central agencies of the Commonwealth, all State and Territory Governments and Local Government. An ABS representative is also a participant. The steering committee meets approximately three times a year to discuss the future direction of the report, monitor progress and provide feedback on drafts of the report. While the steering committee makes final decisions on the report's content, it is supported by a number of working groups which provide advice.

Working groups have been established for each service area to develop and refine agreed performance indicators. There are 12 working groups. Each working group is convened by a steering committee member and includes representatives of the relevant line agency (eg. the health department) of each State/Territory and the Commonwealth. Often the working groups take advice from independent representatives of relevant statistical, research, or specialist groups or agencies.

The Productivity Commission (and formerly the Industry Commission) provides significant secretariat support to the steering committee and working groups.

Sources: SCRCSSP (1995) and (1998).

In other cases, the nature of the output means measurement is more difficult. An example is police services. Primary objectives in this area are to protect, help and reassure the community and to prevent crime. The effectiveness and efficiency with which police forces achieve these objectives are difficult to measure. For example, it is not possible to measure or account for crime that did not occur due to effective law enforcement. Despite these difficulties, performance indicators have been developed for assessing the delivery of police services and these are being continually refined.

The Commission believes there is considerable potential for the systematic collection of data and the development of indicators relevant to government activities in specific ESD related areas. Apart from being useful to individual governments, this should enable comparisons between programs with similar objectives — both within and between States.

Programs and policies directed primarily at environmental and natural resource management represent one area of ESD related activity that could be the focus of a comparative performance measurement exercise. As described in chapter 3, Governments' activities in ESD areas directed primarily at the natural environment are significant — the Commonwealth Government is committed to spending \$1.25 billion between 1996-97 and 2000-01 under the Natural Heritage Trust alone. In this area of government activity, there is unlikely to be significant private sector involvement and, therefore, little private sector performance information that could be used by government to indirectly assess the performance of departments and agencies. This lack of opportunity to compare government performance indirectly against private sector activities implies a greater need for the use of performance indicators, and for a comparative performance measurement exercise, which will allow assessments of governments' performance relative to one another.

The Commission considers that a performance measurement exercise should be developed to cover ESD policies and that this exercise could initially cover the areas of environmental and natural resource management.

The Australian Conservation Foundation (sub. DR64, p. 17) commented that it:

... has no problem with [the recommendation for a performance measurement exercise] except in so far as it implies that the environment and natural resource management are more ESD related than other issues or areas. We believe that a vast array of policies and programs are, or should be, ESD related ...

Similarly, the Department of Premier and Cabinet, South Australia (DR80) expressed surprise that the proposed measurement exercise would focus on environmental and natural resource areas and exclude economic and social areas of policy. The Commission agrees with the view that a vast range of policies and

programs, beyond those relating primarily to environmental or natural resource management, are ESD related. The Commission's proposal to focus the exercise on these areas *initially* has been made from a practical point of view of making a start on comparative ESD performance management. In contrast to primarily social and economic policies and programs, environmental programs have received less attention to date in comparative performance measurement. Based on the experience gained, and the extent of success of the proposed performance measurement exercise, the Commission considers that the exercise could certainly be extended in future to include comparative performance assessment of a broader range of ESD related policies.

Through its experience as secretariat to both the SCRCSSP and SCNPMGTE projects, the Industry Commission has highlighted (1997a) the following four necessary steps which would need to be followed in developing performance indicators for comparative performance measurement of government programs:

- identification and clarification of a common set of objectives for similar programs across jurisdictions (while recognising that weightings given to various aspects of these objectives can differ between jurisdictions and programs);
- development of a framework for performance measurement, based on the program's objectives, that encompasses both effectiveness and efficiency indicators of performance;
- collection, analysis and publication of data on each jurisdictions' performance in relation to the indicators; and
- collection and publication of contextual information on the conditions in which the agency delivers the program — this information needs to be taken into account when interpreting and assessing reported performance.

The SCRCSSP was a joint initiative of the Prime Minister, State Premiers and Territory Chief Ministers at the Premier's Conference in 1993. The creation of a similar exercise for environmental and natural resource management activities would require a similar level of support across jurisdictions.

In its draft report for this inquiry, the Commission requested feedback from participants and members of the public on the desirability of establishing a national performance measurement exercise and sought participants' views on aspects of how the exercise should operate. In response to this request, Environment Australia submitted (sub. DR68, p. 12) that, in principle, it supported the draft recommendation to establish national performance measurement. It pointed out some of the advantages of such an exercise:

Development of an integrated ESD performance management framework would:

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- permit benchmarking;
 - allow refinement of data collection methodologies;
 - encourage rationalisation and coordination of existing performance measurement methodologies; and
 - permit international comparisons with comprehensive Australian data.

And it also commented (sub. DR68, p. 12) that:

The work of the Steering Committee for the Review of Commonwealth [State] Service Provision provides a good starting point in developing a framework.

The Australian Fisheries Management Authority (sub. DR61) also agreed with the Commission's draft recommendation that a performance measurement exercise should be established.

The Department of Premier and Cabinet, South Australia (sub. DR80, p. 6) commented that:

Performance measurement is not a substitute for improved policy development processes which adequately implement ESD, however as a complement to such processes, it can serve to reinforce and inform these processes.

The Environmental Protection Agency, Queensland (sub. DR82, p. 1) emphasised the need for the exercise to coordinate well with existing mechanisms in ESD related areas:

This [comparative performance measurement exercise] is useful but would need to be carefully negotiated to fit into systems already in place. For example, Section 4 of the Queensland *Environmental Protection Act 1994* provides that environmental protection is to be achieved through an integrated management program that is consistent with ESD. This cyclical program establishes the state of the environment, defines environmental objectives, develops and implements effective environmental strategies which are integrated into efficient resource management, evaluates the efficiency and effectiveness of those strategies, and reports publicly on the state of the environment.

The Department of Premier and Cabinet, Tasmania (sub. DR70, p. 1) considered that:

... it will be difficult to develop a suite of meaningful performance measures that can be usefully applied over the full range of actions used to address various resource management problems ... A national framework for performance measures against ESD objectives is therefore likely to result in generic indicators with very little real value.

The Department also pointed out (sub. DR70, pp.1–2) that the cost implications of the exercise would need to be considered and that:

... any new requirements placed on the State by the Commonwealth, in addition to current State measurements, would need to be funded by the Commonwealth.

The value of a performance measurement exercise is likely to be significantly reduced if jurisdictions do not participate on a voluntary basis. This is because the process of developing indicators is an iterative one which requires the support of the jurisdictions involved. Support from relevant agencies also reduces the need to double check or audit data used. In view of this, one option for initiating the performance measurement exercise is for key Commonwealth departments involved in the environmental and natural resource management area — Environment Australia, the Department of Agriculture, Fisheries and Forestry along with the Department of Prime Minister and Cabinet to jointly (in consultation with the States and Territories) establish a means to assess the involvement of State and Territories in a national performance measurement exercise.

It is important to recognise that the information compiled by a performance measurement exercise should be made as widely available as possible and should be available to all levels of government, environmental and conservation groups, industry groups, and the general public. As mentioned above, the task of developing and refining performance indicators is an iterative one which benefits from an open and transparent process. For this reason, and to ensure benefits over time, the exercise should also be ongoing and report regularly, rather than be a one-off event. This is supported by comments made in a number of submissions which referred to the need for the performance measurement exercise to be ongoing in nature. For example, the Australian Conservation Foundation (sub. DR64, p. 17) stated that ‘such measures should be ongoing’. Similarly, Environment Australia (sub. DR68, p. 13) considered that ‘ESD performance should be assessed on an ongoing, coordinated basis across Departments’.

Clearly, adoption of a national performance measurement exercise is not the only means for increasing the scope for jurisdictions to compare their performance to each other. For instance, Commonwealth efforts to foster cooperative approaches between a sub-set of State and Territory agencies interested in performance measurement is another means for improving comparative performance measurement. While there may be additional benefits from adoption of a national exercise, there are also likely to be additional costs. A key issue that needs to be addressed therefore is whether there are net benefits in developing a set of national performance indicators over and above those benefits that would be attainable through other, less comprehensive approaches to performance measurement. That is, achieving ‘value for money’ should be a key consideration in defining the scope of the performance measurement exercise. This also relates to the funding implications

of the scope of the exercise — an issue raised by the Department of Premier and Cabinet, Tasmania (see above).

The remainder of this chapter describes the four steps, outlined earlier, that should be followed when establishing any comparative performance measurement exercise. It also provides an example of a framework for performance measurement of environmental or natural resource programs. This is based on the framework used by the SCRCSSP project.

8.2 Establishing objectives and measurable outcomes

Achieving agreement, across jurisdictions, on a common set of core objectives for the program being examined is the first step for developing performance indicators. This does not imply that each jurisdiction will apply the same weighting or priority to each component of the agreed objectives. But that agreement on a common set is an essential first step for developing indicators that can be used to inform assessments of jurisdictions' relative performance.

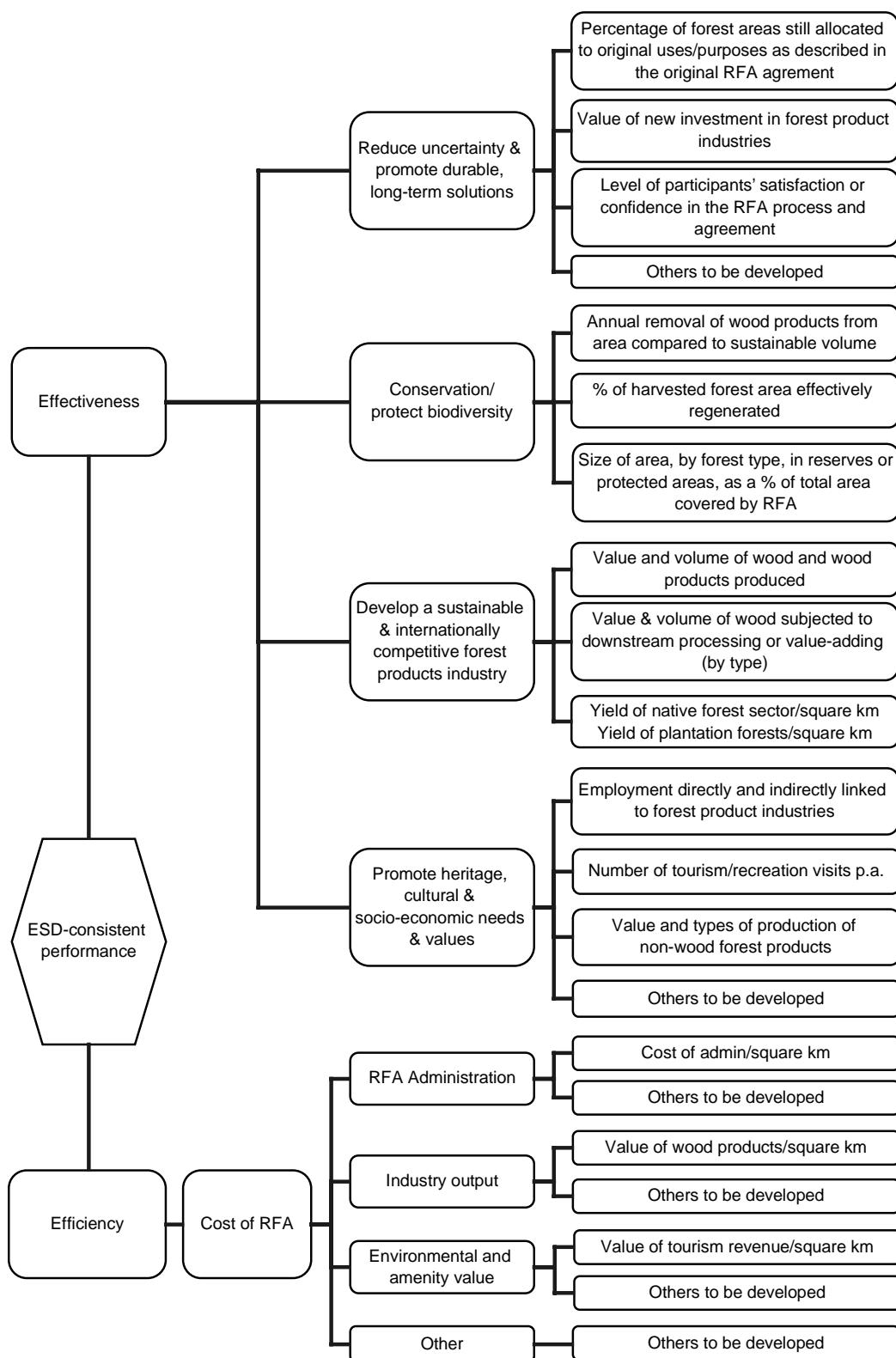
The task of developing indicators is made easier if the objectives are clearly specified and carefully defined in terms of outcomes to be achieved.

In some areas, objectives are already in place, and progress has been made on developing performance indicators. The regional forest agreement (RFA) process is one such example. RFAs have a range of objectives which may be summarised (based on the discussion in appendix D) as:

- reduce uncertainty in forest policy and thereby promote more durable, long term solutions;
- protect and conserve areas of forest so as to protect biodiversity and other environmental values;
- develop a sustainable and internationally competitive forest products industry; and
- promote heritage, cultural and socio-economic needs and values.

This statement of objectives is provided by way of example only and for the purposes of illustrating a performance measurement framework (figure 8.1). As stated earlier, agreement on a common set of objectives would need to be developed cooperatively by jurisdictions participating in the performance measurement exercise. Figure 8.1 illustrates a sample framework of indicators for monitoring the effectiveness and efficiency of the RFA process in achieving the objectives outlined above.

Figure 8.1 **Illustrative framework for performance measurement of ESD related policies — an example using the RFA process**



These indicators are preliminary, incomplete and require further refinement. Some are drawn from the internationally agreed national level Montreal Process criteria and sustainability indicators (see appendix D). Other indicators from that process are likely to be relevant and could be used in the performance measurement exercise.

8.3 Development of a framework for performance measurement

Performance measurement involves the development of indicators of effectiveness and efficiency. Effectiveness indicators are used to measure the extent to which a program or policy meets its objectives. They usually relate to aspects such as:

- overall outcomes;
- appropriateness of program delivery to client needs;
- quality, or extent to which required standards are met; and
- access and equity.

Efficiency measures relate to the objective of maximising outputs with a given set of inputs. They are usually related to some measure of cost per output.

Ideally, there should be a mixture of both short term and long term outcomes reflected in both the effectiveness and efficiency indicators. Environment Australia (sub. DR68, p. 12–13) has summarised this need:

There is a heavy emphasis on the short and medium term measurement of government performance to provide feedback for decision makers and the electorate, and to allow policies and programs to be fine tuned. However, environment protection can only be achieved in the long term, through long term commitments and programs. The management of sustainable development performance requires a blend of short-term indicators of progress and long term measurement of outcomes. For example land management programs need to include short-term measures such as farm plans completed and fences erected, and long term measures such as areas of land suffering soil erosion or salinity.

This comment reflects a need, in the case of environmental and natural resource management programs which produce outcomes in the very long term, to include indicators that reflect various elements of the policy or program in a performance measurement exercise. Hence, indicators might relate to a mix of the inputs or the processes used to implement the program; to the program's short to medium term outputs; and to the program's (longer term) outcomes.

These policy or program elements are all interlinked. For instance, to achieve desired long term outcomes, an appropriate mix of the right inputs and outputs is required. As it is likely to be difficult, in practice, to focus and report solely on performance against outcomes in these very long term contexts, it may be more appropriate to initially focus on reporting on jurisdictions' comparative performance in providing a range of shorter term outputs and/or on the processes or inputs employed to achieve desired outcomes. However, the processes or inputs and outputs that are selected for the performance measurement exercise should be clearly linked to achieving desired long term outcomes.

Ensuring the comprehensiveness of performance indicators selected for reporting is a related issue. If all key aspects of the operation of a program are not covered, it may lead to a focus on activities that are measured to the exclusion of activities that are not (SCRCSSP 1995). Similarly, the performance management framework should include indicators that will provide information on performance as opposed to merely indicating relative levels of activity.

With respect to the RFA process, attempts have already been made to establish a set of sustainability indicators to apply to all forests. These are based on the internationally agreed national level Montreal Process criteria (see appendix D).

Indicators in other areas have also been developed, or are being developed, through a number of processes. One example is the range of performance indicators contained in the Commonwealth/State Partnership Agreements of the Natural Heritage Trust. While the Commonwealth and States and Territories have yet to refine and finalise these, they do have the potential advantage of being largely common across jurisdictions for many Natural Heritage Trust programs. The performance measurement exercise could draw on, and rationalise, indicators developed through this and other processes.

The Commission's experience as secretariat for two national performance measurement exercises has shown that it is preferable to initially develop and collect information on better and more comprehensive indicators for fewer services, or areas, than to be too ambitious with coverage (IC 1997a). Development and collection of information for robust indicators can be very costly. The benefits arising from the exercise will therefore be greatest if it focuses on those issues or areas that are most important to stakeholders and the community and for which a comparative performance measurement exercise is likely to be the most effective way to encourage improved performance.

Priorities for performance measurement can be assessed on the basis of a number of factors. One of the simplest would be to include those areas that command the highest expenditure. Another more difficult, but perhaps more useful, means to

identify priority areas is according to the likely effect of the program on the community.

A number of participants provided comments on priority areas for the performance measurement exercise. Environment Australia considered (sub. DR68, p. 13) that:

Priority should be given to major areas of expenditure ... Further priority areas for the application of ESD performance management could include:

- water policy;
- greenhouse programs, including sustainable energy and transport;
- oceans policy, including regional marine plans and sustainable fisheries;
- native vegetation measurement; and
- subsidies to natural resource use.

The Australian Conservation Foundation's view (sub. DR64, p. 17) was that 'Priority should be given to areas with greatest likely impact, which by and large, would be areas of greatest expenditure. If not impact should be the determining factor'.

Box 8.2 Desirable features of cooperative processes in performance measurement exercises

- Cooperation is promoted by keeping development of performance measures separate from any forum which has the primary role of allocating funding.
- Participation by each agency/jurisdiction is voluntary which helps foster a sense of commitment to, and ownership of, the project.
- A steering committee with influence to ensure participation by agencies or program areas allows challenges to be overcome.
- It is useful to have an independent chair to resolve differences in emphasis.
- Presenting performance indicators and contextual information in a publication that is separate from any comment, subjective analysis or judgement on relative performance reduces political concerns about the publication's release and increases the likelihood that the publication will receive the support of all jurisdictions involved.
- The process of developing agreed indicators is hastened by technical support from an organisation which the participants trust to provide rigorous advice.

Source: IC (1997a).

These are useful starting points or suggestions for priority areas for the performance measurement exercise. However final decisions about priorities should be jointly made by all levels of Government and the agencies involved in the exercise.

Performance measurement will provide the greatest benefits when indicators selected are relevant to users' needs. Similarly, there needs to be a commitment to refining the indicators over time. Cooperative processes are likely to promote both of these and the SCRCSSP exercise provides lessons in this area (box 8.2).

8.4 Contextual factors

Contextual factors become important when comparisons of performance are made across jurisdictions. Therefore, it is important for relevant factors to be identified and reported along with results against performance indicators. Relevant contextual factors would be those associated with local conditions or external constraints that affect an agency's ability to meet its objectives. These factors must be taken into account when judgements are made about a jurisdiction's performance relative to another, based on the selected performance indicators.

For example, some variation in jurisdictions' performance against the sample indicators related to RFAs (figure 8.1) could be expected for a number of reasons such as:

- differences in the nature of the forest (eg. extent of old growth or wilderness areas and vegetation and animal species represented within the forest) which may affect a jurisdiction's relative performance against the indicators relating to conservation;
- differences in the history of management and forest use in the area; and
- proximity to population centres and accessibility to the forest which may influence the number of visitors and hence affect performance against indicators relating to promotion of heritage, cultural and socio-economic factors.

8.5 Data collection

Data needs and appropriate methods of collection should be determined once a common core set of objectives have been identified, and in tandem with developing performance indicators.

Development of indicators for assessing performance across jurisdictions can be complicated and made more costly because of differences in data collected by

corresponding agencies in different jurisdictions or differences in definitions used. However, differences or imperfections in the comparability of data should not be used as the sole reason for not conducting, or for delaying, a comparative performance measurement exercise. The Industry Commission (1997a) has found that imperfect data can still be very useful if published with the appropriate caveats and, indeed, can provide an incentive to improve data collection over time.

As discussed in other chapters, data related to natural resource management is held by many diverse agencies in both the Commonwealth and State/Territory Governments. In many cases, there are variations in data collection standards and methods used and hence the compatibility of data sets.

To be cost effective and minimise duplication in data collection, a performance measurement exercise should rely, as much as possible, on readily available data that is already collected for other purposes and/or establish links with these other exercises. Sources of readily available data and advice might include: the ABS; Australian Geological Survey Organisation; Australian Surveying and Land Information Group; CSIRO; Bureau of Rural Sciences; Commonwealth Spatial Data Committee; National Land and Water Resources Audit; Environment Australia and the Department of Agriculture, Fisheries and Forestry, amongst others. In addition, State/Territory based agencies may also be custodians of the relevant and required data. The performance measurement exercise should draw on the resources and expertise, including practical scientific monitoring expertise, embodied by these other agencies and processes.

Some tasks associated with ensuring that data is compatible across jurisdictions, and for minimising the extent to which a performance measurement exercise requires collection of new data, will have been partly completed by some of these existing processes. For example, a key task of the National Land and Water Resources Audit is the collection and integration of existing data sets from Commonwealth and State/Territory natural resource management agencies, data management agencies and research institutions. As a part of this task the Audit will help identify data gaps and instances where additional information is crucial. Hence, some consolidation and identification of gaps in data sets will have been achieved through projects related to the Audit.

RECOMMENDATION 8.1

The Commonwealth Government, in cooperation with State and Territory Governments, should develop a framework to facilitate performance measurement and enable comparisons of the effectiveness and efficiency of Commonwealth, State and Territory policies and programs in ESD related areas such as the environment and natural resource management. Development of this

new process should take into account the experiences and institutional and analytical frameworks of the Steering Committee for the Review of Commonwealth/State Service Provision.

Having developed a framework, Commonwealth, State and Territory Governments should jointly determine priority areas for the performance measurement exercise.

Once priority areas are identified, performance measurement and comparison should be carried out on an ongoing basis, focussing on indicators of program efficiency (including resources used (inputs) and program or policy results (outputs)) in the short to medium term, and indicators of effectiveness — program or policy impacts (outcomes) against the longer term environmental and sustainability objectives.