
11 Benchmarking and accountability: the role of the COAG Reform Council

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Reforms in 2008 made benchmarking a central element of federal financial relations in Australia. As implemented by the COAG Reform Council, this involves assessing the performance of the Commonwealth and State governments in achieving outcomes and benchmarks in areas of nationally significant reforms. Making such a system work requires reliable data; agreement on meaningful targets; recognition that the States carry primary responsibility for program design and implementation; and ongoing commitment to effective intergovernmental collaboration.

11.1 The Intergovernmental Agreement on Federal Financial Relations

To understand the benchmarking roles of the COAG Reform Council, it is essential to understand the context in which they are defined.²

The Council’s roles and responsibilities are set out in the Intergovernmental Agreement on Federal Financial Relations, an historic agreement that provides an overarching framework for the Commonwealth government’s financial relations with the States and Territories (COAG 2008a, p. 2). The agreement was signed by the Prime Minister, Premiers and Chief Ministers at a meeting of the Council of Australian Governments (COAG), and took effect on 1 January 2009.

According to COAG (2008a, p. 2), the Intergovernmental Agreement:

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² The COAG Reform Council was established in 2006 but its roles and responsibilities were significantly expanded in 2008. This article discusses the roles of the Council under its expanded mandate.

represents the most significant reform of Australia's federal financial relations in decades. It is aimed at improving the quality and effectiveness of government services by reducing Commonwealth prescriptions on service delivery by the States, providing them with increased flexibility in the way they deliver services to the Australian people. In addition, it provides a clearer specification of roles and responsibilities of each level of government and an improved focus on accountability for better outcomes and better service delivery.

The Intergovernmental Agreement is an agreed approach — or set of approaches — for addressing two key features of Australia's federal system (see Banks, Fenna and McDonald, this volume). First is the problem of vertical fiscal imbalance (VFI) — the States have large expenditure responsibilities relative to their revenue raising capacities, and hence must rely on financial transfers from the Commonwealth. The second is that the Commonwealth and State governments have overlapping roles and responsibilities for service delivery, including for healthcare, disability services, housing, and education.

There are three main elements of the new financial arrangements: National Specific Purpose Payments supported by new National Agreements; National Partnership Payments associated with National Partnership Agreements; and a performance and assessment framework to support public reporting and accountability.

National Specific Purpose Payments and National Agreements

Under the new framework for federal financial relations, the previous more than 90 different payments from the Commonwealth to the States for specific purposes — many containing prescriptive conditions on how the funding should be spent — have been combined into five new National Specific Purpose Payments (Commonwealth of Australia 2009, p. 24). National Specific Purpose Payments are ongoing financial contributions from the Commonwealth to the States to be spent in the key service delivery sectors of schools, skills and workforce development, health care, affordable housing, and disability services. The States are required to spend each National Specific Purpose Payment in the service sector relevant to the payment, but they have full budget flexibility to allocate funds within that sector as they see fit to achieve the agreed objectives for that sector (COAG 2008b, p. D-2).

National Specific Purpose Payments are associated with National Agreements between the Commonwealth and State governments. National Agreements establish the policy objectives in the service sectors of education, skills and workforce development, health care, affordable housing, and disability services. There is also a National Agreement on Indigenous Reform which does not have an associated

Specific Purpose Payment, although it links to other National Agreements and National Partnerships which have associated funding.

National Agreements set out the objectives, outcomes, outputs and performance indicators for each sector, which are agreed between all jurisdictions. The agreements also aim to clarify the roles and responsibilities of the Commonwealth and States in the delivery of services and the achievement of outcomes. They do not include financial or other input controls imposed on service delivery by the States, and there is no provision for National Specific Purpose Payments to be withheld in the case of a jurisdiction not meeting a performance benchmark specified in a National Agreement.

National Partnership Agreements and payments

National Partnership Agreements outline agreed policy objectives in areas of nationally significant reform or for service delivery improvements, and define the outputs and performance benchmarks. They cover a wide range of service sectors and reform areas, from health and education through to regulation and competition reform.³

National Partnerships differ from National Agreements in that generally they are time-limited and the associated National Partnership payments for the States are linked with specific reform activities or projects. The Commonwealth provides National Partnership payments for three purposes: to support the delivery of specified projects, to facilitate reforms, or to reward those jurisdictions that deliver on national reforms (Commonwealth of Australia 2009, p. 26).

Performance and assessment framework

The third main element of the new federal financial relations arrangements is a performance and assessment framework to support public reporting and accountability. Under the *Intergovernmental Agreement*, the Commonwealth and States have committed to greater accountability through simpler, standardised and more transparent performance reporting, and ‘a rigorous focus on the achievement of outcomes — that is, mutual agreement on what objectives, outcomes and outputs improve the well-being of Australians’ (COAG 2008b, pp. 5–6). The *Intergovernmental Agreement* gives the COAG Reform Council significant responsibilities for assessment and reporting of the performance of governments under National Agreements and National Partnerships.

³ A list of current National Partnerships is at <http://www.federalfinancialrelations.gov.au/>.

11.2 Role of the COAG Reform Council

The COAG Reform Council assists COAG to drive its national reform agenda by strengthening accountability for the achievement of results through independent and evidence-based monitoring, assessment and reporting on the performance of governments. The Council is funded by all governments but is independent of individual governments and reports directly to COAG. The Commonwealth government appoints the Chairman of the Council, the States appoint the Deputy Chairman, and the governments jointly appoint the other four members. At least one member must have regional and remote experience. There is also an Executive Councillor and head of the secretariat.⁴

As set out in the *Intergovernmental Agreement*, the COAG Reform Council has two main benchmarking roles related to National Agreements and National Partnerships (COAG 2008b, p. A-4). The Council independently assesses and publicly reports on:

- the performance of the Commonwealth and States in achieving the outcomes and benchmarks specified in National Agreements
- whether performance benchmarks in nationally significant reforms have been achieved before the Commonwealth government makes reward payments to the States.

These roles are described below, followed by a discussion of some key challenges faced by the COAG Reform Council in its early years of reporting.

11.3 Benchmarking under the National Agreements

For each of the six National Agreements, the COAG Reform Council provides annual reports to COAG based on a comparative analysis of the performance of governments against indicators that have been agreed by the governments. The first year reports establish baseline data against which progress in reform and improvements in service delivery can be measured (COAG 2008b, p. C-3). The reports are made public.

The performance information for each National Agreement is received from the Steering Committee for the Review of Government Service Provision, a cross-jurisdictional body (see Banks and McDonald this volume). The Steering Committee collates the data from relevant sources and provides the data to the

⁴ An overview of the role of the COAG Reform Council is at <http://www.coag.gov.au/crc/index.cfm>.

Council. The Council's report on the National Agreement is due to COAG within three months of receiving the data. The Council must formally consult with the jurisdictions on the report during this three month period.

Example of the National Education Agreement

As an illustrative example, we may take the *National Education Agreement* (which is discussed further by Glover and Dawkins in this volume). The *National Education Agreement* is supported by a National Schools Specific Purpose Payment of about \$11.4 billion (in 2011-12).

Structure

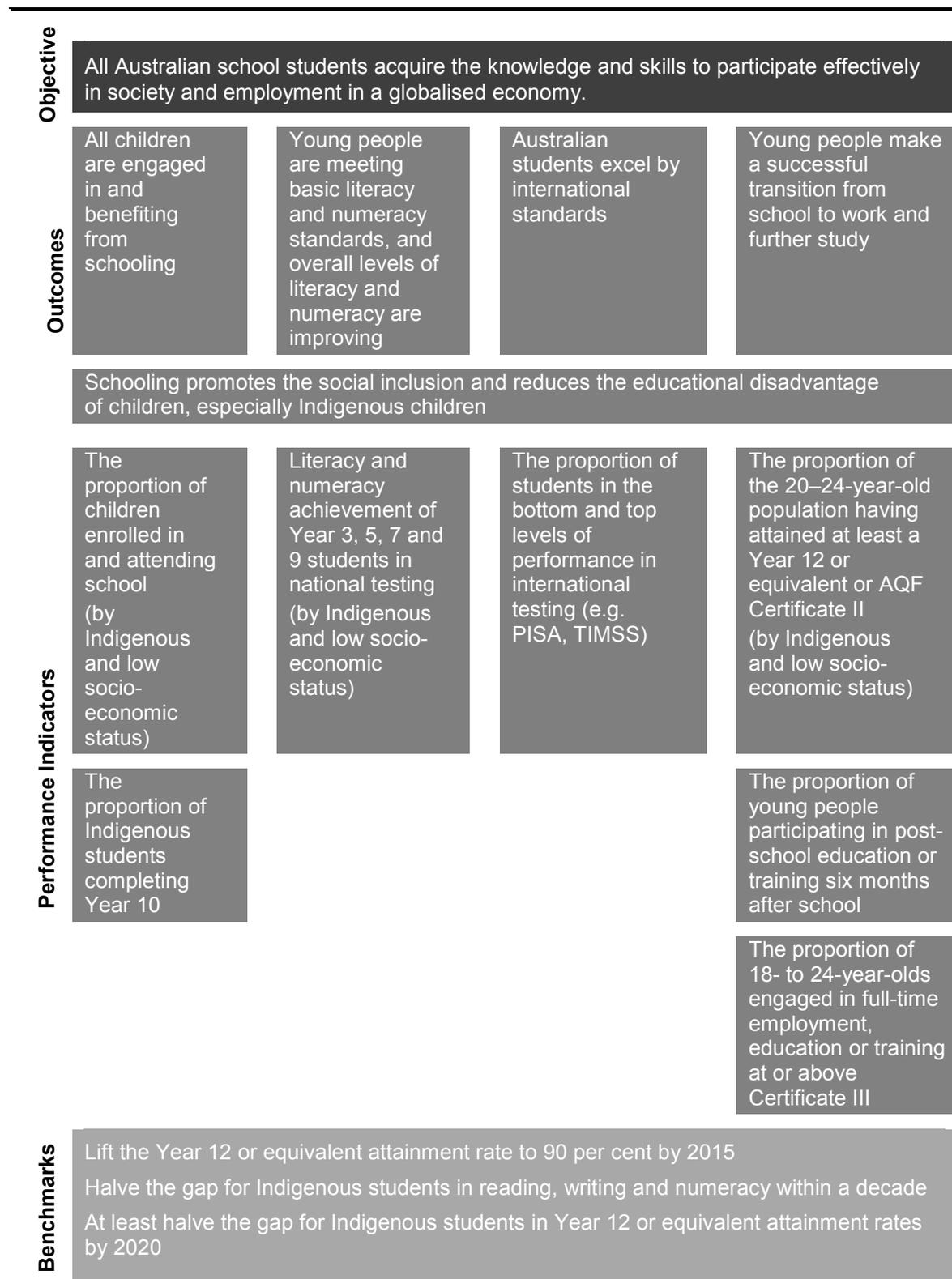
Figure 11.1 summarises the structure of the *National Education Agreement*. The six National Agreements — in education, skills and workforce development, health care, affordable housing, disability services and Indigenous reform — have a similar structure. All National Agreements begin with the objective(s) of the agreement — the overall aim. The objective of the *National Education Agreement* is:

that all Australian school students acquire the knowledge and skills to participate effectively in society and employment in a globalised economy. (COAG 2008c, p. 1)

Each agreement also has a set of outcomes agreed by governments. As shown in figure 11.1, the National Education Agreement has five outcomes. For each outcome there is a set of performance indicators which measure progress towards the outcomes. For example, for the outcome of 'young people meet basic literacy and numeracy standards and that levels of achievement are improving', the performance indicator is literacy and numeracy achievement of Year 3, 5, 7 and 9 students in annual national testing under the National Assessment Program — Literacy and Numeracy (NAPLAN).

Most National Agreements also identify performance benchmarks to be achieved. The *National Education Agreement* has three (listed in figure 11.1).

Figure 11.1 Structure of the National Education Agreement



Source: COAG (2008c).

Baseline reporting

Each year, the COAG Reform Council publicly reports the performance information and undertakes a comparative analysis of the performance of jurisdictions towards the outcomes, as measured by the performance indicators and benchmarks (COAG 2008b, p. C-2). The first year reports establish the baselines for performance. The comparative analysis compares the performance of jurisdictions against each other and also against their own year-on-year performance, reflecting the importance of achieving continuous improvement against the outcomes, outputs and performance indicators.

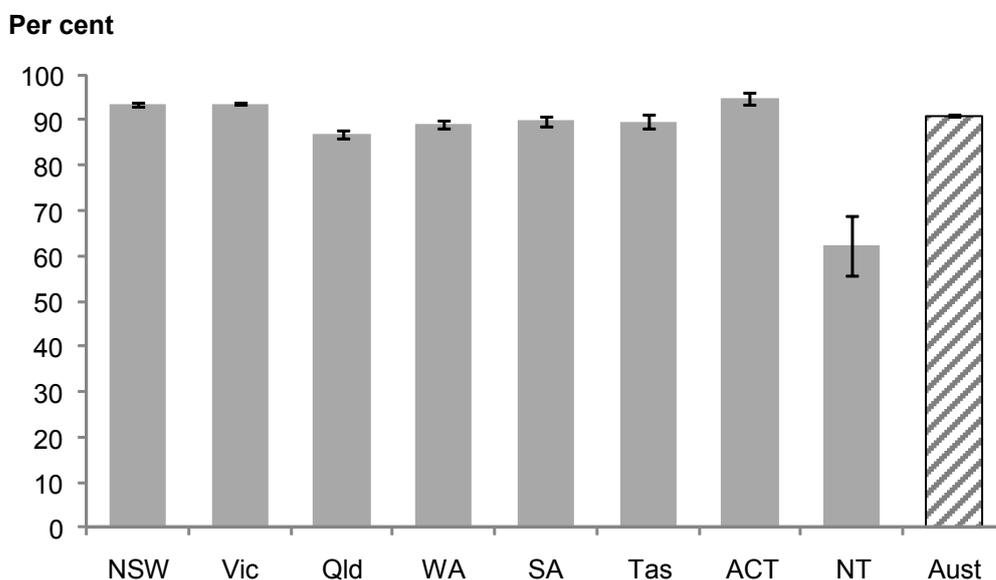
To take an example, figure 11.2 presents the baseline data (2008) for the States against one of the performance indicators of the National Education Agreement: ‘young people meet basic literacy and numeracy standards’. The agreed measure of the indicator is the proportion of students achieving at or above the national minimum standard. Achievement of the minimum standard indicates that the student has demonstrated the basic elements of literacy and numeracy for the year level.

The data against this indicator are shown for Year 5 Reading. Year 5 Reading is a good indicator of performance, as reading is a foundation skill for writing and numeracy and by Year 5 the impact of jurisdictional differences in school starting age on the acquisition of skills should be diminishing.

Nationally, a high proportion of all students — 91 per cent — achieved at or above the national minimum standard in assessments of reading at Year 5 in 2008 (COAG Reform Council 2009a, pp. 61–2). Comparing the performances of the States:

- three jurisdictions achieved higher levels than the national average — New South Wales, Victoria and the Australian Capital Territory — all with results of 94 per cent or above of students meeting the national minimum standard in Year 5 Reading
- four jurisdictions clustered below the national average, with the proportion of students meeting the national minimum standard ranging from 90 per cent in South Australia and Tasmania, to 89 per cent in Western Australia, and to 87 per cent in Queensland
- the Northern Territory differed significantly from other States, with 63 per cent of students meeting the national minimum standard for Year 5 Reading.

Figure 11.2 Proportion of Year 5 students achieving at or above the national minimum standard for reading, by State, 2008 ^{a,b,c}



^a The achievement percentages shown in this graph include 95 per cent confidence intervals indicated by error bars. ^b Exempt students were not assessed and are deemed not to have met the national minimum standard. ^c Absent and withdrawn students did not sit the test and are not included in these data.

Source: MCEETYA (2008, p. 56).

Contextual differences between jurisdictions

To help understand performance, the Council is also required to highlight contextual differences between the jurisdictions which are relevant to interpreting the data, such as relevant demographic characteristics (COAG 2008b, p. C-2). For example, the Northern Territory has a high proportion of Indigenous students (41 per cent). Indigenous children are the most educationally disadvantaged group in Australia and this disadvantage is reflected in most measures of educational outcomes.

The Council's approach to the task of highlighting contextual differences reflects its general approach to the assessment of governments' performance (COAG Reform Council 2009a, pp. 6–7). In particular, the Council's approach is dynamic, emphasising changes in performance from year to year.

Given this approach, the contextual differences that are highlighted in assessing performance under the National Agreements are high level and small in number. They are focused on differences that help interpret the data by giving the broad context, in particular student characteristics such as Indigenous and socioeconomic status. This is particularly relevant for first-year reports, as they present the baseline

data for the comparative assessment of performance. However, these contextual factors are likely to be less relevant to understanding changes in performance. They are, hence, less likely to be relevant in subsequent years' reports as the focus shifts to assessing the performance of the jurisdictions over the years compared with their baseline data (COAG Reform Council 2009a, p. 26).

Analysing change over time

With the baseline data published, the second and subsequent year reports shift to assessing governments' progress against agreed objectives, outcomes and outputs. The shift to assessing progress means a focus on assessing change over time.

'Change over time' can be described as progress, improvement, decline or failure to progress, depending on the direction of change and other considerations. Within the Council's comparative analysis framework, change over time is a dynamic construct as it involves analysing change within and across jurisdictions, and for key sub-populations where possible.

Table 11.1 gives an example of change over time analysis. For each jurisdiction, it shows the change in the proportion of Indigenous students at or above the national minimum standard in Reading in Years 3, 5, 7 and 9 between 2008 and 2011. In summary:

- Nationally, in Years 3 and 7, the proportion of Indigenous students at or above the national minimum standard in Reading was significantly higher in 2011 than in 2008. There was no significant change in Years 5 or 9.
- The most notable feature of the data is the lack of significant progress in the proportion of Indigenous students at or above the national minimum standard in Reading in most States over the four years.
- Comparing the States, only Queensland and Western Australia had significant increases in achievement in Reading, with both significantly improving in Years 3 and 7.
- Both New South Wales and Tasmania had significant decreases in achievement in Reading in Year 9.

Table 11.1 Summary of significant changes in the proportion of Indigenous students at or above the national minimum standard in Reading, 2008-2011

	Year 3	Year 5	Year 7	Year 9
New South Wales	—	—	—	▼
Victoria	—	—	—	—
Queensland	▲	—	▲	—
Western Australia	▲	—	▲	—
South Australia	—	—	—	—
Tasmania	—	—	—	▼
Australian Capital Territory	—	—	—	—
Northern Territory	—	—	—	—
Australia	▲	—	▲	—

▲ statistically significant increase in achievement. ▼ statistically significant decrease in achievement. — no statistically significant change.

Source: COAG Reform Council (2012, p. 48).

11.4 Benchmarking under Reward National Partnerships

The COAG Reform Council's main benchmarking role for National Partnerships is to independently assess whether performance benchmarks or milestones have been achieved before the Commonwealth makes reward payments to the States.

As of March 2012, there were seven National Partnerships with reward payments agreed by all jurisdictions (table 11.2). As shown, reward National Partnerships differ in terms of performance measures, reward funding and reporting timeframes. The predetermined performance benchmarks are variously included in National Partnership Agreements, or contained in greater detail in implementation plans. Implementation plans are developed by jurisdictions and subject to approval by the relevant Commonwealth Minister.

In terms of processes, the Council makes a distinction between the six reward National Partnerships in health and education, and the National Partnership for a Seamless National Economy, as explained below.

Table 11.2 Reward National Partnerships ^a

<i>National Partnership</i>	<i>Benchmarks</i>	<i>Reward funding</i>	<i>Reporting dates</i>
Literacy and Numeracy	Literacy and numeracy benchmarks for students most in need of support, especially Indigenous students	\$350m	March 2011 April 2012
Youth Attainment and Transitions	Benchmarks for participation in education and attainment of Year 12 or equivalent	\$100m	August 2012* April 2013
Improving Teacher Quality	Reform benchmarks and milestones	\$350m	April 2012 April 2013*
Improving Public Hospital Services	Benchmarks for elective surgery and access to emergency departments.	\$400m	2012-13 to 2015-16
Essential Vaccines	Benchmarks for coverage and wastage and leakage	\$24m	2011 and ongoing
Preventive Health	Benchmarks for healthy bodyweight, fruit and vegetable consumption, physical activity and smoking	\$308m	November 2013* May 2015*
Seamless National Economy	Milestones for competition and regulatory reform	\$450m	December 2008 to 2013

^a Reward National Partnerships as of March 2012. * Date to be confirmed.

Reward National Partnerships in health and education

While each of the six National Partnerships in health and education with reward payments specifies a role for the Council, the language and specific requirements differ. In consultation with the jurisdictions, the Council developed a common process and transparent set of principles for assessment.

A key step in the process is the development of a matrix of performance information for each National Partnership with reward funding prior to reporting on the National Partnership. The matrix of performance information establishes the specific framework for assessment, clearly setting out the basis for assessment, consultation arrangements, and reporting timeframes.

The matrix is circulated to jurisdictions for one month consultation prior to the commencement of each assessment period.

National Partnership for a Seamless National Economy

The National Partnership Agreement to Deliver a Seamless National Economy has separate assessment and reporting arrangements.

Under the National Partnership, the Commonwealth and the States have agreed to work together:

to deliver more consistent regulation across jurisdictions and address unnecessary or poorly designed regulation, to reduce excessive compliance costs on business, restrictions on competition and distortions in the allocation of resources in the economy. (COAG 2008b, p. 3)

There are 36 agreed streams of regulation and competition reform. The National Partnership is underpinned by an implementation plan that ‘articulates the policy outcomes sought in each reform area and, where possible, also identifies key milestones for jurisdictions in progressing each reform’ (COAG 2008e, p. 5).

The COAG Reform Council reports annually to COAG, providing an independent assessment of whether the milestones in the National Partnership have been achieved. The Council’s first report on the performance of governments under the National Partnership was presented to COAG in December 2009 (COAG Reform Council 2009b).

The National Partnership provides for reward payments of up to \$450 million over 2011-12 and 2012-13 for delivery of the 27 deregulation priorities. The Council advises on achievement of key milestones for deregulation priorities before reward payments are made. States are eligible for full payment even if one reform is not met, as long as it is not one of the 13 priorities.

The Council’s assessment of performance is evidence-based and draws on a range of inputs. These include progress reports from the jurisdictions to the Council; additional information requested by the Council to assist the assessment process; and the Council’s independent research on legislative and regulatory activities of governments.

The Council uses a green–amber–red ‘traffic light’ representation of progress against individual milestones. The Council also undertakes an assessment of risks to the achievement of future milestones and explores broader risks to the achievement of the intended output of the reform stream.

11.5 Key challenges

In the early years of reporting, the Council faced a number of challenges undertaking its benchmarking roles. The following sections highlight some of the key challenges in reporting against National Agreements and reward National Partnerships.

Outcomes-based accountability

Under the *Intergovernmental Agreement*, the Commonwealth moved away from prescriptive tied grants. In their place it put a system of block grants linked to National Agreements and independent assessment of performance by the COAG Reform Council. The *Intergovernmental Agreement* is clear that it is a shift away from accountability based on inputs and outputs to outcomes-based accountability.

The question of whether these new financial arrangements are (or will with time) be successful turns critically on whether outcomes have (or will) improve. In turn, how well the new arrangements succeed in improving outcomes depends critically on the effectiveness of the incentives to encourage governments to take action.

While there are Commonwealth payments to the States associated with National Agreements, there is no provision for payments to be withheld on the basis of the State's performance against the performance indicators or benchmarks. Hence, the incentives for improved performance flow from the potential gain or loss to a State's reputation from the public reporting of its performance, particularly in comparison to other jurisdictions and over time.

For comparative analysis to be an effective incentive for improved performance it is essential that there a strong performance reporting framework — that is, the agreed objectives, outcomes and performance indicators and the associated information and data against which the Council makes its assessments. The Council must be able to assess and compare the progress of each jurisdiction over time in the areas covered by the National Agreements. It must, therefore, have access to adequate and reliable information and data to inform its assessments.

Unusual for an agreement on federal financial relations, the *Intergovernmental Agreement* recognises the importance of performance reporting. To quote from the Agreement:

the success of the new framework for federal financial relations depends crucially on the development of robust performance indicators and benchmarks. (COAG 2008b, p. C-5)

In the early years of reporting under the National Agreements, the Council faced significant challenges associated with the performance reporting frameworks for the agreements. In its reports to COAG, the Council has urged major improvements to the performance reporting framework, particularly in two areas.⁵

⁵ See: http://www.coagreformcouncil.gov.au/media/speeches/speech_170910_natstats.pdf.

First, the Council has called for improvements to the conceptual adequacy of indicators. Across the National Agreements, there are problems with some indicators not being closely connected to the objectives and outcomes of the agreements. The Council reinforces the view of COAG in the *Intergovernmental Agreement on Federal Financial Relations* that:

The purpose of the performance indicators is to inform the general public about government performance in meeting progress towards identified outcomes. (COAG 2008b, p. C-2)

To do this requires performance reporting for National Agreements to be based on a strong conceptual framework that links the performance indicators with the outcomes. Performance indicators should provide a clear picture of achievement.

The second area where the Council is urging significant improvements is in the availability of adequate data for reporting progress against performance indicators and benchmarks. There are a number of data limitations that have reduced the effectiveness of performance reporting. These include poor quality and unreliable data; data that are not comparable over time or between jurisdictions; and data that cannot be sufficiently disaggregated by Indigenous or socio-economic status. All National Agreements have examples of performance indicators which have no data or have inadequate data to report progress; for all National Agreements there are also significant problems with data to report progress over time.

Partly in response to the Council's recommendations on improving the conceptual adequacy of indicators and the availability of adequate data, COAG agreed to review the performance reporting frameworks of the National Agreements. The reviews will cover the conceptual adequacy of the performance reporting frameworks, the appropriateness of performance indicators and the availability of adequate data. The reviews are scheduled to be completed by the end of June 2012.

Setting clear and ambitious benchmarks

The *Intergovernmental Agreement* is very clear that the Commonwealth and States should agree on ambitious benchmarks and milestones under National Partnerships. It states:

National Partnerships should set out clear mutually agreed and ambitious performance benchmarks... that encourage achievement of ambitious reform targets and continuous improvement in service delivery, and provide better outcomes than would otherwise be expected. (COAG 2008b, p. E-3)

The Council has, however, been critical of the level of clarity and ambition reflected in many benchmarks and milestones under National Partnerships.

For instance, in reporting on the National Partnership Agreement on a Seamless National Economy, the Council argued for a more coherent set of milestones and of more rigorous specification of milestones and deadlines for assessing progress in a number of reform areas (COAG Reform Council 2009b; 2010b).

In many reward National Partnerships in health and education there is the added challenge that, while the National Partnerships provide an overarching multilateral framework, each State is accorded flexibility to implement reform strategies most appropriate to their government's policy settings and circumstances. States develop their own detailed implementation plans — agreed bilaterally with the Commonwealth — outlining the reforms they intend to introduce and their benchmarks and measures for assessment (COAG Reform Council 2011b, p. 86).

This recognition of State differences in policy settings and circumstances is important in a federal system. However, for each National Partnership, this can result in a high level of variation between States in reward frameworks and varying levels of ambition across the States in determining benchmarks for improvements.

For the Council, this presents difficulties for public accountability. While it is the Council's role to assess achievement of the agreed performance benchmarks, the Council is not mandated to assess the level of ambition or degree of difficulty associated with achieving the benchmarks (COAG Reform Council 2011b, p. 89). Thus, the fact that a State is assessed as meeting all its agreed benchmarks does not necessarily mean that it has achieved more than another jurisdiction which failed to meet its benchmarks. It is possible that the second State set more ambitious benchmarks and succeeded in improving outcomes more than the first State, even though it missed meeting its benchmarks.

The Council has argued that, while flexibility is important, it is essential that there is a degree of comparability of frameworks and ambition if benchmarking is to be an effective tool of public accountability. It has recommended for all future National Partnerships COAG considers that performance benchmarks for each State should be independently assessed for ambition and the assessment made publicly available (COAG Reform Council 2012, p. 68).

Catalyst data

Even with a robust performance reporting framework and data, a comparative analysis does not explain why there are differences between the jurisdictions or why performance has improved or declined over time. As Fenna (this volume) notes, rather than providing an explanatory analysis, the comparative analysis is better thought of as providing catalyst data (Ekholm 2004, p. 1). The comparative analysis

of performance — highlighting differences among the jurisdictions or over time — leads one to search for reasons to explain the differences. It does not provide the ‘right’ answers or answer questions about why programs work or fail. But performance information can signal that something is wrong — or right — and prompt debate. It can encourage governments to consider what to do to improve (Commonwealth of Australia, Department of Finance and Deregulation 2012, p. 50).

It is too early to assess the effectiveness of the Council’s comparative assessments under the National Agreements in encouraging governments to take action to improve their performance. But catalyst data can be a powerful incentive. The state of Queensland provides an example of this, as pointed out by an editorial in *The Australian* newspaper on Queensland’s results in national testing in literacy and numeracy:

Following the woeful performance of Queensland primary school children in national testing last year, the Bligh Government turned to an expert for help. The state’s children need it, after being ranked second-last in the nation. Only the Northern Territory where absenteeism and social disadvantage are more prevalent fared worse. (*The Australian* 4 May 2009, editorial)

In response to Queensland’s performance in national testing in 2008, Premier Bligh took remedial action, seeking an independent review by Professor Geoff Masters from the Australian Council for Educational Research of the literacy and numeracy standards in Queensland primary schools and advice on how to improve students’ skills (Masters 2009). Since then, the Council has noted that Queensland has more consistently improved performance in national testing than other jurisdictions (COAG Reform Council 2010a, p. 19).

Highlighting good practice

While the Council is not tasked with explaining the differences between the jurisdictions, it does have a role under the Intergovernmental Agreement to highlight examples of good practice and performance so that, over time, innovative reforms or methods of service delivery may be adopted by other jurisdictions (COAG 2008b, p. C-3). In 2010-11, the Council completed research projects in each of the six National Agreement reform areas. The projects looked at variations in relative performance across the jurisdictions for selected indicators to help identify possible areas for good practice analysis.⁶

⁶ The reports are available at www.coagreformcouncil.gov.au/excellence/good_practice.cfm.

In 2012, the Council commenced a series of conferences to bring together the jurisdictions, researchers and interest groups to discuss examples of good practice within Australia and internationally in areas of nationally significant reform. The Council selected the area of transitions from school as the focus of the first of these forums, investigating ‘what works’ in keeping young people in education, employment and/or training.

11.6 Lessons learned

At the time of writing this article, the benchmarking arrangements under the Intergovernmental Agreement are still fairly new, having been in place for little more than three years. From this early period, three lessons stand out.

The first is that for the benchmarking arrangements to be effective they must be based on robust performance reporting frameworks, which are conceptually sound and supported by quality, comparable and timely performance information. Progress should also be assessed against clear milestones and outcomes and ambitious benchmarks. The aim is to encourage — even pressure — governments to take action in response to performance feedback.

Second, it is important to get the right balance between flexibility for States to determine their own priorities and accountability to ensure that the objectives of funding agreements are being achieved. The Intergovernmental Agreement recognises the strengths of federalism, and in particular the primacy of the States in service delivery, by focusing on outcomes and flexibility rather than prescribing a one-size-fits-all approach. But it also seeks to address the challenges of federalism through clearly defined roles and responsibilities and clear accountabilities. The question of whether the balance between flexibility and accountability is optimal under the new arrangements will likely demand more attention in the coming years as the extent of progress towards outcomes becomes clearer.

Third, there are factors beyond the institutional features and processes of the Intergovernmental Agreement that are critical to the successful implementation of the benchmarking arrangements. Like all major public policy reform, the Intergovernmental Agreement challenges conventional practices. Many of the key features of the new framework require cultural change in the way all governments approach intergovernmental relations, policy development and service delivery — both across and within governments. The Council has called for greater cooperation and collaboration, trust and political leadership to support the reform agenda (COAG Reform Council 2010c, pp. 14–15).

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