
1 PROGRESS

1.1 Introduction

The aim of this Report is to inform governments, service agencies, the clients of these agencies, and taxpayers about government performance in providing major government funded (and largely government provided) human services. It is the second *Report on Government Service Provision* by the Steering Committee for the Review of Commonwealth and State Service Provision. The Steering Committee was established at the Premiers' Conference in July 1993 and now operates under the auspices of the Council of Australian Governments (COAG). See Box 1.1 for the terms of reference of the Review.

1.2 Objectives of the Report

A key task of the Steering Committee is to collect and publish data that will enable ongoing comparisons of the efficiency and effectiveness of the provision of a broad range of government services. This information should assist governments and service providers to improve the ways in which they provide services to the community.

Measuring performance is, by itself, no substitute for improving performance in the provision of services but it can help facilitate continuous improvement in a number of ways.

First, the process of developing performance indicators can help clarify objectives and responsibilities. Explicit objectives not only provide a basis for performance indicators but also encourage an informed debate about whether these objectives are appropriate.

Second, it can make performance more transparent. Information on relevant performance indicators allows assessment of whether program objectives are being met. In the area of government school education, for example, information on numbers achieving successful completion and levels of literacy provides an important indicator of performance in the education sector. Good performance information can also help identify inequities in access and outcomes for target groups. Reducing inequity is an issue for many of the services covered by the Report.

Box 1.1: Terms of Reference for the Review of Commonwealth and State Service Provision

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

- establish the collection and publication of data that will enable ongoing comparisons of the efficiency and effectiveness of Commonwealth and State Government services, including intra-government services. This will involve:
 - establishing performance indicators for different services which would assist comparisons of efficiency and effectiveness. The measures should, to the maximum extent possible, focus on the cost effectiveness of service delivery, as distinct from policy considerations that determine the quality and level of services; and
 - collecting and publishing data that is consistent with these measures. The Review should also address the procedures for the ongoing collection and publication of benchmark data; and
- compile and assess service provision reforms that have been implemented or are under consideration by Commonwealth and State Governments.

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

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

Third, it can facilitate ‘yardstick competition’. It may be possible to measure a sector’s performance at the local level (such as an individual nursing home or a school) and even at the state or territory level, but there is a lack of nationally comparable data. By comparing programs with similar objectives across jurisdictions and over time, service providers can become aware of more effective models and approaches, and of areas in which they can improve. Better ways of processing minor traffic offences through the court is one example of an improvement through yardstick competition. The data presented in this and subsequent Reports are also likely to allow the community to assess whether real improvements are being made over time, reinforcing positive trends and addressing negative ones.

Better performance monitoring could also assist the different levels of government in Australia in defining their respective roles and responsibilities. COAG has noted, for areas of shared responsibility, that the Commonwealth Government interest will most often be in the area of broad, jointly agreed strategic goals, involving program planning and (together with the State and Territory Governments) a concern for achieving program performance and outcomes for clients. Therefore, the scope for reducing Commonwealth Government involvement in the operational management of service provision in areas of shared responsibility may be assisted by progress in developing and publishing robust performance indicators.

1.3 Scope of the Report

The focus of the Report is on human services — those services that directly affect Australian individuals and families — because they are:

- a large and growing part of government expenditure;
- typically produced directly by government, so provision has not normally been contestable;¹
- provided by many jurisdictions across Australia, each of which has similar objectives which make performance comparisons possible; and
- not already subject to comprehensive comparable performance monitoring on a system wide basis.

It was not initially feasible to cover all significant human services, so the coverage in the 1995 Report (SCRCSSP 1995) was based on considerations such as the size of the sector, the potential for monitoring to drive performance improvement, and the ability to produce appropriate quantitative indicators. The scope has been expanded in this Report to include three new service areas — aged services, disability services and children’s services. The links between service areas have also been better recognised by grouping related services and including a short discussion of their interactions. The services reviewed in this Report are shown in Box 1.2.

¹ Government provision includes both direct provision (a government agency produces the service) and indirect provision (government accepts responsibility for provision but funds another entity to actually produce the service).

Box 1.2: Services covered in the 1997 Report

Education and training	<ul style="list-style-type: none">• Government school education• Vocational education and training
Health	<ul style="list-style-type: none">• Public acute care hospitals
Housing	<ul style="list-style-type: none">• Public housing
Community services	<ul style="list-style-type: none">• Aged care¹• Disability services¹• Children's services¹• Protection and support services
Justice	<ul style="list-style-type: none">• Police• Courts administration• Corrective services

1 Not covered in 1995 Report.

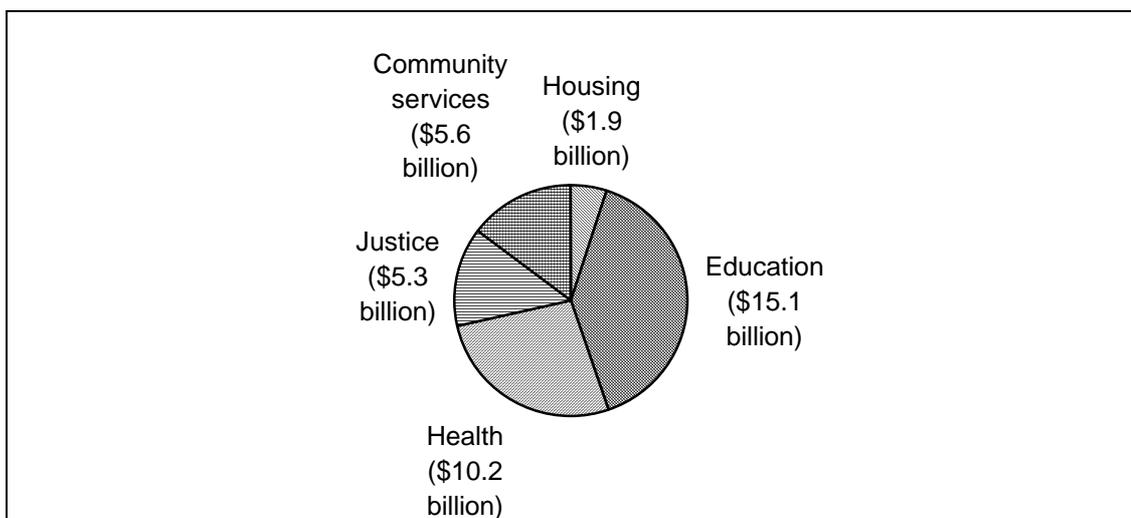
The total annual expenditure of the services covered by the 1997 Report is approximately \$38 billion (Figure 1.1).² This represents about 20 per cent of government expenditure and 8.5 per cent of Australia's gross domestic product.³ Given the size of the services and their importance to the well-being of all Australians, the community has an interest in knowing how well those services are being provided.

Only the services provided directly or indirectly by relevant agencies are covered in this Report. The effectiveness or efficiency of various payments made to individuals (such as Medicare rebates, disability pensions, or Austudy payments) are not measured.

² The annual expenditures for the services covered by the Report are based on the most recently available data. These data are for a range of periods including 1994–95, 1995 and 1995–96, so the figures are not perfectly consistent.

³ Based on Australian gross domestic product for 1995–96.

Figure 1.1: Expenditure for services covered by the Report



Source: ABS Cat. No. 5501.0

1.4 What has been achieved so far

The general reaction to the 1995 Report was positive. Most jurisdictions have reported that it is used as a resource document across Australia in government departments. The Management Improvement Advisory Committee of the Commonwealth Government has also chosen to use the Report program as a case study in benchmarking.

The process of preparing the Reports has facilitated discussion among jurisdictions about the objectives of their programs. This has led to a realisation that jurisdictions are similar in their fundamental program objectives despite often different administrative arrangements. Hence, jurisdictions have been able to more clearly articulate these objectives. The NT Department of Correctional Services, for example, has adopted aims in their strategic plan for corrective services which are virtually identical to those developed for corrective services in the Report.

The first Report has encouraged jurisdictions to collect better information about their performance and to review performance differences. The ACT used the Report to demonstrate the need for learning outcome information in its schools (the only system without common testing).

The progress made in the inaugural Report encouraged the Steering Committee to decide to expand the Report to cover additional areas rather than simply focus on improving the reporting for existing areas. The new areas have adopted the general framework developed in 1995 for measuring the effectiveness and efficiency of government services.

The Report has also facilitated the view that specific services should be provided as part of larger groups of inter-related services. This has the potential to achieve better coordination of service outputs, and hence, overall outcomes. For example, the extent to which those in need ‘fall through the cracks’ can be identified as boundary issues are better addressed. The possible extent of program overlap or inconsistency can also be exposed when both the individual program performance and consolidated performance are measured.

As a first step in explicitly recognising these links, services are grouped with other closely associated services. For example, the justice system includes police, courts administration, and corrective services. These sectors are introduced in the Report with a brief discussion of their interactions. The first tentative steps towards developing broader performance indicators are also explored.

1.5 Continuous improvement

This Report is part of an iterative process; shortcomings in coverage, indicators and data are addressed as they arise rather than reporting being delayed until solutions to all potential problems are identified.

The Steering Committee adopted this approach for several reasons. It achieves at least some reporting relatively quickly and can provide an early indication of the potential benefits of the data. It recognises that both service providers and report users will take time to learn how to gain maximum benefit from the performance measurement. In addition, the approach deals with difficulties (which may not be initially apparent) as they arise and responds to constructive criticism as the process proceeds.

However, an inevitable consequence of the iterative approach is that reported information will not always accurately reflect comparative performances. The comprehensiveness and precision of reporting may also be overstated or the data may be quoted out of context. These shortcomings can lead to the project being criticised and hinder further progress. The Steering Committee has considered all these matters but has judged that it is better to make a start on reporting.

Generally, relevant available data are reported, but the shortcomings are acknowledged and users are advised to use appropriate caution. At the same time, strategies are cooperatively developed for cost-effectively addressing shortcomings within appropriate timeframes. For example, indicator definitions and data dictionaries are being developed in almost all service areas to expedite data comparability across jurisdictions.

Along with developing the performance framework correctly, the Steering Committee is cognisant of the need to measure the right service aspects — that is, aspects of performance that are relevant to policy makers, service deliverers and the clients themselves. For this reason, new indicators often need to be developed: in the area of public acute care hospitals, for example, better indicators for measuring the quality of care in hospitals are being developed to replace those used in the 1995 Report.

The need for improvement is particularly acute in the area of effectiveness indicators for all services in this Report.⁴ At present, it is simply not possible for governments or the community to make well-informed judgments about how effective many of the services have been. This may reflect the difficulty of defining effectiveness, but it also reflects the lack of data and the lack of attention given to assessing the performance of our human services.

1.6 Related exercises

As well as producing this Report, the Steering Committee is reviewing reforms in service provision and researching issues important to the Review.

1.6.1 Review of service reforms

The Terms of Reference for the Review require the Steering Committee to compile and assess service provision reforms that have been implemented or are under consideration by Commonwealth and State Governments. The Steering Committee plans to produce separate reports dealing with such reforms.

Each reform report will focus on a number of case studies to bring out important reform themes and to provide guidance on the design of particular reforms. For the first report, to be released in June 1997, the Steering Committee will undertake case studies into:

- the introduction of casemix funding of public hospitals in Victoria;
- the introduction of privately managed prisons in Queensland; and
- the restructure of the SA Department of Family and Community Services along purchaser/provider lines.

⁴ Effectiveness is defined as the extent of success in achieving the objectives of an organisation or program (Chapter 2).

1.6.2 Data envelopment analysis

A significant research project of the Steering Committee is the completion of an information paper on data envelopment analysis (DEA). This is a sophisticated efficiency measurement technique which is considered well suited to analysis of the delivery of government services.

The aim of the DEA information paper is to promote a better understanding of the technique. It also presents a number of case studies to demonstrate the potential for using DEA to measure the efficiency of the services covered by the Report. The case studies are briefly outlined in the relevant chapters through the Report.