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## Chapter 1: Background

Heads of government established the Review of Government Service Provision (the Review) in 1993 to provide information on the effectiveness and efficiency of government services in Australia (box 1.1).

### Box 1.1 Terms of reference

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

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

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

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

*Source:* Report on Government Services, 2004, p. xxv

The Review is overseen by a Steering Committee of senior officials from central agencies in all jurisdictions. The Steering Committee has overall responsibility for the work of the Review, including its annual publication, the *Report on Government Services* (Report). The name of the Review has changed since last year's Report (box 1.2).

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### Box 1.2    **The ‘Australian Government’**

In mid-2003, the Commonwealth Government changed its title to ‘Australian Government’. Consequently, the name of the Review has been changed from ‘the Review of Commonwealth/State Service Provision’ to ‘the Review of Government Service Provision’. References to the ‘Commonwealth Government’ or the ‘Federal Government’ in the Report on Government Services have been altered to reflect the new title.

Proper titles and historic references to the ‘Commonwealth’ (for example, the Commonwealth State Housing Agreement and the Commonwealth Department of Health and Family Services) have not been changed. In addition, the Commonwealth Parliament and Commonwealth laws are not affected by the change.

*Source:* Report on Government Services, 2004, p. 1.1

The Report on Government Services examines the performance of the service elements for which government is responsible and accountable. The focus is on reporting performance information on the effectiveness and efficiency of government expenditure, linked to the purchase or supply of specific services rather than to general government income support. The Report thus covers aged care but not the aged pension, disability services but not disability pensions, and children’s services but not family payments (although descriptive information on income support is provided in some cases). An exception is the reporting of performance information on Commonwealth Rent Assistance (chapter 16).

The work involved in assembling the data and performance indicators is conducted by working groups for each of the service areas. These comprise officials from relevant agencies, with a convenor drawn from the Steering Committee. Services covered by the Review include:

- Education
- Health
- Justice
- Emergency management
- Community services
- Housing.

### **Indigenous reporting**

In May 1997, the Prime Minister (with the support of the Premiers and Chief Ministers) requested that the Review give particular attention to the performance of mainstream services in relation to Indigenous Australians. This task has involved expanding reporting

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on the provision of services to Indigenous Australians in the annual Report on Government Services.

In April 2002, the Council of Australian Governments (COAG) asked the Steering Committee to prepare a regular report on key indicators of Indigenous disadvantage as part of the COAG reconciliation commitment. The first edition of this Report, *Overcoming Indigenous Disadvantage: Key Indicators 2003* (Indigenous disadvantage report), was released by the Steering Committee in November 2003. This Report is included on the CD-ROM that accompanies the Report on Government Services, and can be found on the Review web page ([www.pc.gov.au/gsp](http://www.pc.gov.au/gsp)).

Whereas the Report on Government Services has as its focus the delivery of government services, the report on Indigenous disadvantage concentrates on high level outcomes and strategic areas for action. Thus, the two reports while different, are complementary.

## **The new performance indicator framework**

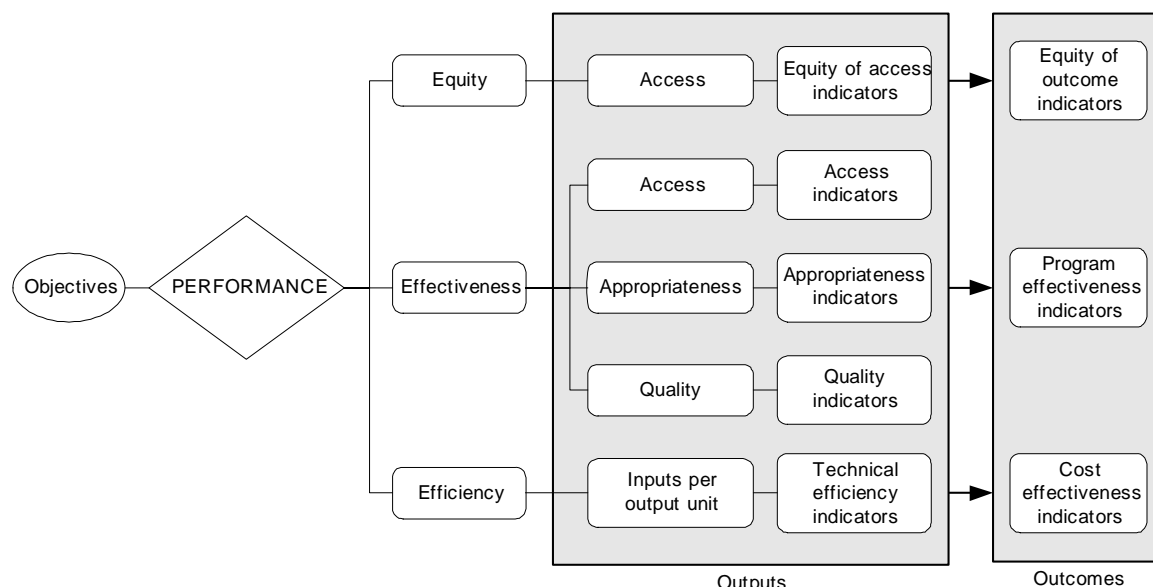
The Steering Committee developed a new general framework for performance indicators in 2002 and this framework has been implemented in most chapters for the first time in the 2004 Report on Government Services. The new approach depicts the Review's focus on outcomes, consistent with demand by governments for outcome oriented performance information. The new framework also accentuates the importance of equity and draws out the distinction between equity and access (figure 1.1).

### *Separating outputs and outcomes*

Outcome indicators provide information on the impact of a service on the status of an individual or a group, and on the success of the service area in achieving its objectives, although other factors may affect outcomes for an individual or group. The outcomes of a service should align with the objectives of the service. Outputs, on the other hand, are the services delivered.

While the aim of the Review is to focus on outcomes, they are often difficult to measure. The Report thus includes measures of outputs with an understanding that there is a correlation between some outputs and outcomes, and that measures of outputs can be proxies for measures of outcomes. The 'percentage of accredited mental health facilities', for example, is an output measure that can be used as a proxy for 'quality care in mental health facilities' (the outcome measure).

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



### *Equity, effectiveness and efficiency*

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

Moreover, accentuating equity highlights the potential for tradeoffs across all three performance dimensions — equity, effectiveness and efficiency. Improving outcomes for a group with special needs, for example, may necessitate a decrease in measured efficiency. Assessing performance across all three dimensions remains important.

### *Equity*

Equity in the context of the Review reflects equity of access, whereby all Australians are expected to have fair access to services. Equity indicators measure how well a service is meeting the needs of certain groups in society. The term ‘equity’ has a number of interpretations (box 1.3).

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**Box 1.3 Equity**

Equity is an important concept in economic literature, where there are two elements of equity:

- horizontal equity — the equal treatment of equals
- vertical equity — the unequal but equitable treatment of unequals.

In the context of performance measurement for service delivery, horizontal equity would be exhibited when services are available to everyone in the community, and there are no restrictions on access — that is, everyone is allowed to access the service.

For service delivery to exhibit vertical equity, the service would need to account for the special needs of certain groups in the community and adjust aspects of service delivery to suit these needs. This approach may be needed where geographical, cultural or other reasons mean some members of the community have difficulty accessing the service.

*Source:* Report on Government Services 2004, p. 2.17.

Facilitating access to key services for people with special needs is an important reason for governments to fund services. A number of criteria can be used to classify those groups who may have special difficulties in accessing government services, including: race or ethnicity; language or literacy proficiency; gender; age; physical or mental capacity; and geographic location.

### *Effectiveness*

Effectiveness indicators reflect how well the outputs of a service achieve the stated objectives of that service. Indicators of the effectiveness of outputs in the new framework can be grouped according to desired characteristics that are considered important to the service. For most chapters in the Report on Government Services, these desired characteristics include access, appropriateness and/or quality.

### *Access*

Access indicators reflect how easily the community can obtain a delivered service (output) (for example, access to school education and police services). In the Report on Government Services, access has two main dimensions, undue delay (timeliness) and undue cost (affordability).

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## *Appropriateness*

Appropriateness indicators measure how well services meet client needs. Appropriateness indicators also seek to identify the extent of any underservicing or overservicing. Some services have developed measurable standards of service need against which the current levels of service can be assessed. The ‘overcrowding’ measure in housing, for example, measures the appropriateness of the size of the dwelling relative to the size of the tenant household. Other services have few measurable standards of service need; for example, the appropriate number of medical treatments available for particular populations is not known. However, data on differences in service levels can indicate where further work could identify possible underservicing or overservicing.

## *Quality*

Quality indicators reflect the extent to which a service is suited to its purpose and conforms to specifications. The Review includes indicators of service quality because they are important to performance assessment and policy formulation. Information about quality is particularly important for performance assessment when there is a strong emphasis on increasing efficiency (as indicated by lower unit costs). Moreover, there is usually more than one way in which to deliver a service, and each alternative has different implications for cost and quality. Information about service quality is needed to ensure governments consider all useful delivery alternatives.

The framework of indicators for the Report on Government Services treats quality as one aspect of effectiveness and distinguishes it from access and appropriateness (figure 1.1). This distinction is somewhat artificial because these other aspects of service provision also contribute to a meaningful picture of quality. No perfect indicator of service quality exists; each indicator has its own strengths and weaknesses.

## *Efficiency*

Efficiency indicators reflect how well services use their resources to produce outputs and achieve outcomes. Government funding per unit of service is typically used as an efficiency indicator. Where possible, full unit costs are used as the indicator of efficiency. Comparisons of unit cost of a service are a more meaningful input to public policy when they use the full cost to government, accounting for all resources consumed in providing the service. Problems can occur when some costs of providing services are overlooked or treated inconsistently (for example, superannuation, overheads or the user cost of capital). The Steering Committee believes, where full cost information is not available in the short term, that data should at least be calculated consistently across jurisdictions. Further, data treatment should be fully transparent.