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# 1 Background

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This Compendium of Indigenous data is drawn entirely from information contained in the *Report on Government Services 2012* (2012 Report). The Report on Government Services (RoGS) is published annually and is a product of the Review of Government Service Provision (the Review).

The Review was established under the auspices of the Council of Australian Governments (COAG) in 1993 to:

- provide ongoing comparisons of the performance of government services
- report on service provision reforms that governments have implemented or that are under consideration.

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The RoGS, now in its seventeenth edition, is a tool for government (see terms of reference for the RoGS, p. XXXVI). It has been used:

- for strategic budget and policy planning, for policy evaluation and to demonstrate government accountability
- to assess the resource needs and resource performance of government agencies
- to identify jurisdictions with which to share information on services.

The data in the RoGS can also provide an incentive to improve the performance of government services, by:

- enhancing measurement approaches and techniques in relation to aspects of performance, such as unit costs and service quality
- helping jurisdictions identify where there is scope for improvement
- promoting greater transparency and informed debate about comparative performance.

In 2009, a high level review of RoGS was endorsed by COAG. COAG recognised the RoGS as ‘the key tool to measure and report on the productive efficiency and cost effectiveness of government services’ and in 2010 agreed to a new terms of reference and charter of operations for the Review, as well as a separate terms of reference for the RoGS ([www.pc.gov.au/gsp/review/tor](http://www.pc.gov.au/gsp/review/tor); COAG 2010).

The Steering Committee has begun implementation of recommendations of the high level review, including:

- alignment of RoGS and National Agreement indicators
- a review of the RoGS Performance Indicator Framework by an Independent Reference Group (IRG 2010) (outcomes implemented in this edition of RoGS)
- a review of all performance indicators and measures by the IRG against the principles in the Intergovernmental Agreement on Federal Financial Relations (most outcomes implemented in this edition of RoGS, others to be progressively implemented in future editions)
- development of formal criteria to determine whether the RoGS should include particular service sectors (provided to COAG for endorsement)
- developing sector summaries for the six broad service areas (as a precursor to streamlining the hard copy RoGS)
- the introduction of data quality information for indicators (being iteratively introduced over time)
- expanding time-series reporting

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- the introduction of mini-case studies.

The Steering Committee anticipates completing the implementation of the remaining recommendations over the next RoGS edition (chapter 2).

### **Indigenous reporting in the 2012 Report**

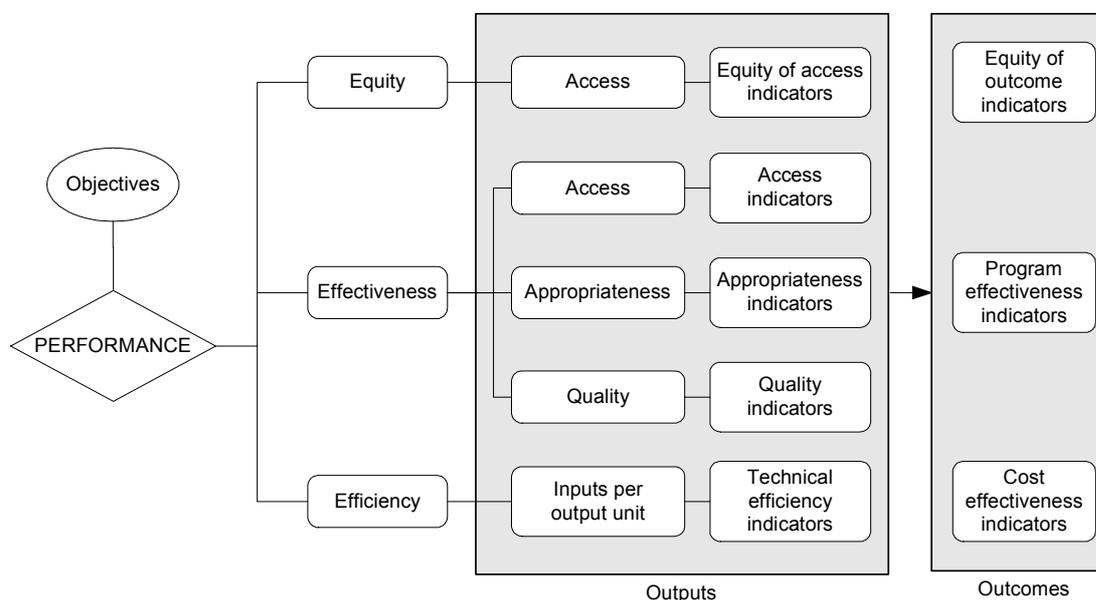
The Indigenous compendium is a compilation of data for Indigenous people from the 2012 Report. Service areas covered by the 2012 Report include:

- early childhood, education and training
- justice
- emergency management
- health
- community services
- housing and homelessness.

### **The general performance indicator framework**

The RoGS' general performance indicator framework is set out in figure 1.1. The framework depicts the Review's focus on outcomes, consistent with demand by governments for outcome oriented performance information. This outcome information is supplemented by information on outputs. Output indicators are grouped under 'equity', 'effectiveness' and 'efficiency' headings.

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



Source: 2012 Report, figure 1.2, p. 1.14.

### *The service process*

The general framework reflects the service process through which service providers transform inputs into outputs and outcomes in order to achieve desired policy and program objectives.

For each service, governments have a number of objectives that relate to desired outcomes for the community. To achieve these objectives, governments provide services and/or fund service providers. Service providers transform resources (inputs) into services (outputs). The rate at which resources are used to make this transformation is known as ‘technical efficiency’.

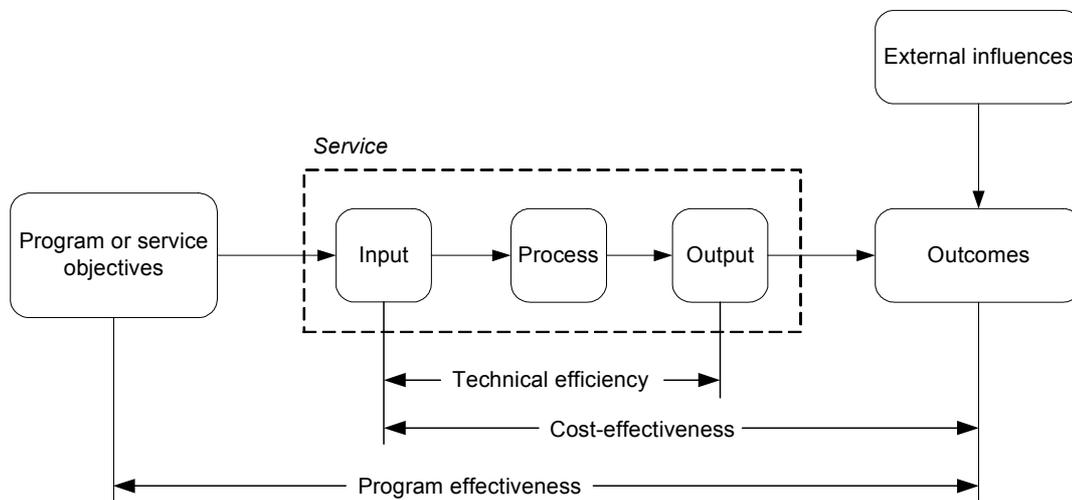
The impact of these outputs on individuals, groups and the community are the outcomes of the service. In RoGS, the rate at which inputs are used to generate outcomes is referred to as ‘cost effectiveness’. Often, outcomes (and to a lesser extent, outputs) are influenced by factors external to the service. Figure 1.2 distinguishes between technical efficiency (the ratio of inputs to outputs) and cost-effectiveness (the ratio of inputs to outcomes), and also recognises that other influences affect overall program effectiveness (the extent to which outcomes achieve the objectives of the service).

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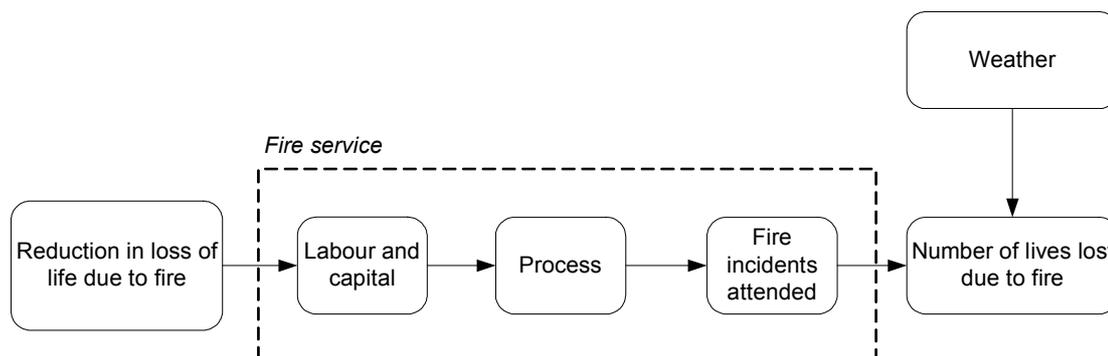
Figure 1.2 **Service process**

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**Example: general model**



**Example: fire services**



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Source: 2012 Report, figure 1.3, p. 1.15.

**Objectives**

A number of the objectives (or desired outcomes) for each government funded service are similar across jurisdictions, although the priority that each jurisdiction gives to each objective may differ. The Steering Committee’s approach to performance reporting is to focus on the extent to which each common or *shared* objective for a service has been met. In each chapter, the objectives for the service are outlined, and performance indicators that measure the achievement of those objectives are reported.

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### *Distinguishing outcomes and outputs*

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. In contrast, outputs are the services delivered.

Outcomes may be short term (intermediate) or longer term (final). A short term police random breath testing ‘blitz’, for example, may achieve the intermediate outcome of fewer drunk drivers and lead to a short term reduction in road deaths. A longer term outcome of a permanent reduction in road deaths is likely to reflect external factors such as the design quality of cars and capital investment in improved roads.

The approach in the RoGS is to:

- use both short term (or intermediate) and long term (or final) outcome indicators, as appropriate
- explain that government provided services are often only one contributing factor and, where possible, point to data on other factors, including different geographic and demographic characteristics across jurisdictions. (Appendix A contains detailed statistics and short profiles on each State and Territory, which may assist in interpreting the performance indicators presented in the RoGS.)

While the aim of the Review is to focus on outcomes, they are often difficult to measure. The RoGS therefore includes measures of outputs (which are often easier to measure), with an understanding that there is a relationship between those outputs and desired outcomes, and that the measures of outputs are, in part, proxies for measures of outcomes. Output information is also critical for efficient and effective management of government services, and is often the level of performance information that is of most interest to individuals who access services.

The indicator framework groups output indicators according to the desired characteristics of a service — for example, accessibility, appropriateness or quality (figure 1.1). By contrast, outcome indicators are not grouped according to desired characteristics, as outcomes typically depend on a number of service characteristics and are usually influenced by other service-sectors and extraneous factors.

### *Equity, effectiveness and efficiency*

The Steering Committee takes a comprehensive view of performance reporting, and the RoGS framework gives equal prominence to equity, effectiveness and efficiency, as the three overarching dimensions of performance. There are inherent

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trade-offs in allocating resources and dangers in analysing only some aspects of a service. A unit of service may have a high cost but be more effective than a lower cost service, and therefore be more cost effective. Similarly, improving outcomes for a group with special needs may lead to an increase in the average cost per unit of providing a service.

### *Equity*

The term ‘equity’ has a number of interpretations, which are explained in box 1.1. Equity indicators in the RoGS measure how well a service is meeting the needs of particular groups that have special needs. While effectiveness indicators are generally absolute measures of performance, equity indicators relate to the gap in outputs and outcomes between special needs groups and the general population. Equity indicators may reflect equity of access, whereby all Australians are expected to have adequate access to services, and equity of outcome, whereby all Australians are expected to achieve similar outcomes arising from service use.

#### **Box 1.5 Equity**

Equity is an important concept in economic literature, with two elements:

- horizontal equity — the equal treatment of equals
- vertical equity — the unequal but equitable (‘fair’) treatment of unequals.

In the context of this RoGS:

- *horizontal* equity is exhibited when services are equally accessible to everyone in the community with a similar level of need
- *vertical* equity is exhibited when services account for the special needs of particular groups in the community. This approach may be needed where geographic, cultural or other reasons mean some members of the community have difficulty accessing a standard service.

A number of criteria can be used to classify groups who may have special needs or difficulties in accessing government services. These include:

- language or literacy proficiency
- gender
- age
- physical or mental capacity, including people with disability
- race or ethnicity

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- geographic location.

Identifying those service recipients who belong to groups with special needs or access difficulties poses challenges, particularly when relying on client self-identification. If members of such groups are required to identify themselves, then the accuracy of the data will depend in part on how a group perceives the advantages (or disadvantages) of identification, and whether such perceptions change over time (see for example, SCRGSP 2009). Comparability problems also arise where different data collections and different jurisdictions have different definitions of special needs groups.

The RoGS often uses the proportion of each target group in the broader community as a point of comparison when examining service delivery to special needs groups. This approach is suitable for services that are provided on a virtually universal basis (for example, school education), but must be treated with caution for other services, where service provision is based on the level of need, which may vary between groups (for example, disability services). Another option is to collect a more accurate profile of need (for example, the estimation of the ‘potential population’ of people with the potential to require specialist disability services at some time).

Where geographic location is used to identify groups with special needs, data are usually disaggregated according to a geographical classification system. Geographical classifications are generally based on population density and/or the distance that residents need to travel to access services. The geographic classification system used in each service area is outlined in chapter 2 of the 2012 Report.

All geographic classification systems are imperfect indicators of the time and cost of reaching a service; for example, they do not consider the client’s capacity to bear the cost of accessing the service (Griffith 1998). Moreover, for some services, classification systems based on distance or population are not useful indicators of access to services — for example, ambulances can sometimes respond more quickly in rural areas over longer distances than in metropolitan areas over shorter distances, because of differences in traffic flows.

### *Effectiveness*

Effectiveness indicators measure how well the outputs of a service reflect the stated objectives of that service. The reporting framework groups effectiveness indicators according to characteristics that are considered important to the service. For most chapters, these characteristics include access, appropriateness and/or quality.

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## *Access*

Access indicators measure how easily the community can obtain a service. In the RoGS, access has two main dimensions:

- undue delay (timeliness) — for example, waiting times in public hospitals and for aged care services
- undue cost (affordability) — for example, the proportion of income spent on particular services, such as out-of-pocket expenses in children's services).

## *Appropriateness*

Appropriateness indicators measure how well services meet client needs. In primary and community care, for example, a series of indicators measure whether patients with particular health conditions are receiving the clinically endorsed treatments.

Appropriateness indicators also seek to identify the extent of any underservicing or overservicing (Renwick and Sadkowsky 1991). Some services have developed measurable standards of service need, against which 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 household. Other services have few measurable standards of service need; for example, the desirable number of medical treatments 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. Information about quality is particularly important when there is a strong emphasis on increasing efficiency (as indicated by lower unit costs). There is usually more than one way in which to deliver a service, and each alternative has different implications for both cost and quality. Information about quality is needed to ensure all relevant aspects of performance are considered.

The Steering Committee's approach is to identify and report on aspects of quality, particularly actual or implied competence. Actual competence can be measured by the frequency of positive (or negative) events resulting from the actions of the service (for example, deaths resulting from health system errors such as an incorrect dose of drugs). Implied competence can be measured by proxy indicators, such as the extent to which aspects of a service (such as inputs, processes and outputs)

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conform to specifications — for example, the level of accreditation of public hospitals and aged care facilities.

The reporting framework includes quality as one aspect of effectiveness, and distinguishes it from access and appropriateness (figure 1.2). This distinction is somewhat artificial because these other aspects of service provision also contribute to a meaningful picture of quality.

### *Efficiency*

The concept of efficiency has a number of dimensions. Overall economic efficiency requires satisfaction of technical, allocative and dynamic efficiency:

- technical efficiency requires that goods and services be produced at the lowest possible cost
- allocative efficiency requires the production of the set of goods and services that consumers value most, from a given set of resources
- dynamic efficiency means that, over time, consumers are offered new and better products, and existing products at lower cost.

The RoGS focuses on technical (or productive) efficiency. Technical efficiency indicators measure how well services use their resources (inputs) to produce outputs for the purpose of achieving desired outcomes. Government funding per unit of output delivered is a typical indicator of technical efficiency — for example, recurrent funding per annual curriculum hour for vocational education and training.

Comparisons of the unit cost of a service should reflect the full cost to government. Problems can occur when some costs are not included or are treated inconsistently across jurisdictions (for example, superannuation, overheads or the user cost of capital). The Steering Committee's approach, where full cost information is not available in the short term, is that:

- data should be calculated consistently across jurisdictions
- data treatment should be fully transparent.

Where there are shortcomings in the data, other indicators of efficiency are used (including partial productivity ratios such as staff levels per student in government schools and administrative costs as a proportion of total expenditure in services for people with disability).

The Commonwealth Grants Commission, when calculating relativities across states and territories to distribute Australian Government general purpose grants, accounts

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for both a jurisdiction's ability to raise revenue, and influences beyond a jurisdiction's control (called 'disabilities') that affect the jurisdiction's cost of providing services and capacity to raise revenue. This assessment may include factors such as the size of the jurisdiction, the dispersed nature of the population and the socio-demographic distribution of the population (CGC 2010). The RoGS does not make cost adjustments based on any of these factors, but appendix A provides a short statistical profile of each State and Territory, which may assist readers to interpret the RoGS performance indicators.

### **Related performance measurement exercises**

Three other COAG performance measurement exercises are closely related to the RoGS:

- National Agreements and National Partnerships performance reporting under the Intergovernmental Agreement on Federal Financial Relations (IGA)
- *Overcoming Indigenous Disadvantage: Key Indicators* report
- *Indigenous Expenditure Report*.

The governance arrangements of these other COAG performance measurement exercises and their relationship with the RoGS are outlined below.

#### *National Agreement performance reporting*

In November 2008, COAG endorsed a new Intergovernmental Agreement on Federal Financial Relations (2009). The Ministerial Council for Federal Financial Relations (MCFFR) has general oversight of the operations of the IGA [para. A4(a)].

The IGA included six new National Agreements (NAs), five of which are associated with a national Specific Purpose Payment (SPP) that can provide funding to the states and territories for the sector covered by the NA. The *National Indigenous Reform Agreement* (NIRA) is not associated with a specific SPP, but draws together Indigenous elements from the other NAs and is associated with several National Partnership agreements (NPs) — a new form of payment to fund specific projects and to facilitate and/or reward states and territories that deliver on nationally significant reforms.

The Steering Committee was requested by COAG to collate information relevant to the NA performance indicators and provide this to the CRC for its analysis (COAG 2008). The Steering Committee recognises the importance of ensuring that

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related COAG performance reporting exercises are aligned. The Steering Committee has aligned all relevant RoGS performance indicators with those in related NAs.

### *Overcoming Indigenous Disadvantage report*

In 2002, COAG commissioned the Steering Committee to produce a regular public report on progress in overcoming Indigenous disadvantage. The terms of reference for this report were updated in March 2009. Five editions of the *Overcoming Indigenous Disadvantage: Key Indicators* (OID) report have been published (SCRGSP 2003, 2005, 2007, 2009, 2011). The sixth edition of the OID report is anticipated to be published in 2014.

In contrast to the RoGS, which focuses on the efficiency and effectiveness of specific services, as well as the outcomes of these services, the OID report focuses on priority outcomes for Indigenous people. It does not report on individual government services. The reporting framework has two tiers of indicators ‘COAG targets and headline indicators’ for the longer term outcomes sought and a second tier of ‘strategic areas for action’ that are potentially responsive to government policies and programs in the shorter term.

COAG endorsed an alignment of the OID report framework and the NIRA indicators in March 2009. The Steering Committee is also committed to ensuring alignment with relevant indicators in the RoGS.

### *Indigenous Expenditure Report*

In December 2007, COAG committed to reporting on expenditure on services to Indigenous Australians. In October 2008, Treasury requested the Secretariat for the Review to provide secretariat services to the Indigenous Expenditure Report (IER) Steering Committee, an arrangement endorsed by COAG in 2009.

The IER Steering Committee developed a national framework for collecting and reporting information on government expenditure on services to Indigenous and non-Indigenous Australians. A high-level overview of the reporting approach was endorsed by COAG at its July 2009 meeting.

The *2010 Indigenous Expenditure Report* (IER), containing data on the levels and patterns of government expenditure in 2008-09, was published in February 2011. An *Australian Government Supplement* was published in September 2010. The second edition of the IER is anticipated to be published in mid-2012.

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In February 2011, COAG transferred responsibility for future editions of the IER to the Steering Committee for the Review of Government Service Provision. The former IER Steering Committee is continuing as a working group providing expert advice to the Review Steering Committee.

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