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# 1 The approach to performance measurement

## CONTENTS

<b>1.1 Aims of the Review and the RoGS</b>	<b>1.1</b>
<b>1.2 The role of government in delivering services</b>	<b>1.3</b>
<b>1.3 Reasons for measuring comparative performance</b>	<b>1.4</b>
<b>1.4 Scope</b>	<b>1.6</b>
<b>1.5 Approach</b>	<b>1.10</b>
<b>1.6 Using the data in this RoGS</b>	<b>1.21</b>
<b>1.7 Other performance measurement exercises</b>	<b>1.23</b>
<b>1.8 References</b>	<b>1.27</b>

## **1.1 Aims of the Review and the Report on Government Services**

Heads of government (now the Council of Australian Governments or COAG) established the Review of Government Service Provision (the Review) to provide information on the equity, efficiency and effectiveness of government services in Australia, through the publication of the annual Report on Government Services (RoGS).

A Steering Committee, comprising senior representatives from the central agencies of each of the Australian, State and Territory governments, and chaired by the Chairman of the Productivity Commission, manages the Review with the assistance of a Secretariat provided by the Productivity Commission.

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The Review was established 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.

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)

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- 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
  - the introduction of mini-case studies.

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

## 1.2 The role of government in delivering services

All services included in the RoGS affect the community in significant ways. Some services form an important part of the nation's social welfare system (for example, public housing and other community services), some are provided to people with specific needs (for example, aged care and disability services), and others are typically used by each person in the community at some stage during their life (for example, education and training, health services, police services and emergency services).

The current focus of the RoGS is on social services, such as health, education, justice and community services, which aim to improve the wellbeing of people and communities, by supporting people's ability to participate in social and economic activities. Services typically aim at providing intangible outcomes (such as health, education, safety), rather than provision of physical products, general income support or the creation of capital assets (although physical products, targeted income support or capital assets may be associated with the delivery of some services).

Generally, the services that governments deliver are largely concerned with:

- providing 'public goods',<sup>1</sup> including:
  - creating a legal framework that determines the rules for ownership of property and the operation of markets (for example, enforcing property rights, checking abuses of power and upholding the rule of law) — a

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<sup>1</sup> Public goods are those where one person's consumption does not reduce consumption by others, and where it is not possible to exclude individuals from access (for example, national defence). These goods tend not to be produced in private markets because people can consume the goods without paying for them.

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framework that encompasses the work of the courts, police and corrective services agencies in maintaining law and order

- managing adverse events, including the work of emergency services (such as fire and flood control) and some aspects of the health system (such as vaccinations)
- enabling higher levels, higher quality and/or more equitable consumption of services that governments consider to have particular merit or that generate beneficial spillover effects for the community.<sup>2</sup> Examples of such services include education, health services, ambulance services, community services and housing.

## **How governments deliver services**

Governments use a mix of methods to deliver services to the community, including:

- delivering or providing the services directly (a ‘delivery/provider’ role)
- funding external providers through grants or the purchase of services (a ‘purchaser’ role)
- subsidising users (through vouchers or cash payments) to purchase services from external providers
- imposing community service obligations on public and private providers
- providing incentives to users and/or providers, such as reducing tax obligations in particular circumstances (known as ‘tax expenditures’).

## **1.3 Reasons for measuring comparative performance**

Comparative information on the performance of governments delivering services contributes to the wellbeing of all Australians. Improving government service provision can lead to major social and economic benefits. Governments themselves need to know whether their policies are effective and being implemented efficiently, and whether services are reaching those people for whom they are intended. Public reports such as RoGS improve government accountability and create incentives for better performance.

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<sup>2</sup> In private markets, the production of services that result in positive (or beneficial) spillover effects tends to be lower than is desirable for society as a whole, because producers cannot charge for the wider benefits to society.

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Traditionally, much of the effort to improve the effectiveness of government services has focused on increasing the level of resources devoted to them. Another important way of improving services is finding better ways to use existing resources. RoGS facilitates improved service delivery, efficiency and performance, and accountability to governments and the public by providing a repository of meaningful, balanced, credible, comparative information on the provision of government services, capturing qualitative as well as quantitative change.

Performance measurement provides one means of shifting the focus from the level of resources to the efficient and effective use of those resources. Performance measurement can:

- help clarify government objectives and responsibilities
- promote analysis of the relationships between agencies and between programs, enabling governments to coordinate policy within and across agencies
- make performance more transparent, enhancing accountability, by enabling assessment of whether and how well program objectives are being met
- provide governments with indicators of their policy and program performance over time
- inform the wider community about government service performance
- encourage ongoing performance improvements in service delivery and effectiveness, by highlighting improvements and innovation.

The three main reasons for reporting *comparative* performance information across jurisdictions are:

- to verify high performance and identify agencies and service areas that are successful
- to enable agencies to learn from peers that are delivering higher quality and/or more cost effective services
- to generate additional incentives for agencies and services to improve performance.

The Review terms of reference (paragraph 2) identify the importance of ‘enabling performance comparisons and benchmarking between jurisdictions and within a jurisdiction over time’. Comparative data are particularly important for government services, given that limited information is available to those supplying, and receiving, services. Each jurisdiction has, for example, one police service and one protection and support service. As a result, those responsible for delivering the services do not have access to the same level of information that is available to providers in competitive markets. Comparisons across jurisdictions also offer a

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level of accountability to consumers, who have little opportunity to express their preferences by accessing services elsewhere.

Reporting comparative performance also facilitates interjurisdictional learning, particularly where governments have adopted different policy approaches.

Governments have considered a range of general policy approaches when deciding how to deliver services. These approaches include:

- moving from historical or input based funding to output based funding (for example, casemix funding in public hospitals in Victoria)
- separating the purchaser and provider roles for government organisations (for example, corporatisation of agencies providing services)
- outsourcing the provider roles (for example, competitive tendering for service delivery)
- devolving and decentralising decision making by government service providers (for example, devolving decision making in schools to local school communities)
- examining alternative delivery mechanisms (for example, deinstitutionalising community services and offering greater consumer choice)
- implementing user charging (for example, the use of co-payments to help ration service use).

While the RoGS does not extend to recommendations on how best to provide government services, the information in the RoGS assists governments to make such assessments. Reliable comparative performance information can help governments better understand the strengths and weaknesses of each approach, and the circumstances in which each can work best.

## **1.4 Scope**

This RoGS contains performance information on 15 service areas (box 1.1). These government services have two important features:

- their key objectives are common or similar across jurisdictions (lending themselves to comparative performance reporting)
- they make an important contribution to the community and/or economy (meaning there are potentially significant gains from improved effectiveness or efficiency).

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The high level review of RoGS recommended that the Steering Committee develop a set of formal criteria to determine whether the RoGS should include particular service sectors, and to consider the inclusion of significant services that are jurisdiction-specific. Draft criteria have been provided to COAG for endorsement.

**Box 1.1 Services included in the 2012 RoGS**

**Early childhood, education & training**

- Children’s services (chapter 3)
- School education (chapter 4)
- Vocational education and training (chapter 5)

**Justice**

- Police services (chapter 6)
- Court administration (chapter 7)
- Corrective services (chapter 8)

**Emergency management**

- Fire, road rescue and ambulance (chapter 9)

**Health**

- Public hospitals (chapter 10)
- Primary and community health (chapter 11)
- Mental health management (chapter 12)

**Community services**

- Aged care services (chapter 13)
- Services for people with disability (chapter 14)
- Protection and support services (chapter 15)

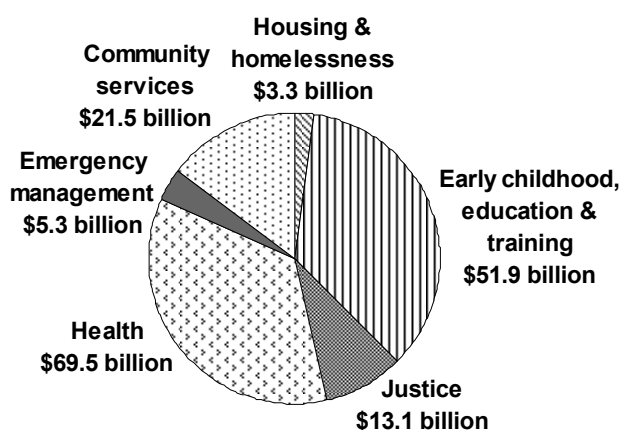
**Housing and homelessness**

- Public housing and mainstream community housing, State owned and managed Indigenous housing and Indigenous community housing (chapter 16)
- Homelessness services (chapter 17)

The services in the RoGS absorb a significant level of government expenditure. While not all data relate to the same time period, the services in the 2012 RoGS accounted for approximately \$164.7 billion in government expenditure (figure 1.1), representing around 68.6 per cent of total government recurrent expenditure<sup>3</sup> in 2010-11. This is equivalent to about 12.5 per cent of gross domestic product.

Funding from government may not meet the full cost of delivering a service to the community. Users of services and not-for-profit organisations can also contribute funding and other resources. However, the scope of the RoGS is confined to the cost to government, for reasons explained in box 1.2.

**Figure 1.1 Estimated government recurrent expenditure on services covered by the 2012 RoGS<sup>a, b, c, d</sup>**



<sup>a</sup> Data for 2010-11 were not available for all services. Table 2.1 in chapter 2 indicates the latest year for which data are available for each service area. <sup>b</sup> Early childhood, education and training expenditure excludes higher education. <sup>c</sup> Health: expenditure includes only the health services reported on in the health chapters of this Report — public hospitals, primary and community health services, and specialised mental health services. There is a net effect of about \$0.2 billion less in this Report than would have been reported if breast cancer expenditure was included. Breast cancer expenditure was included in previous reports. <sup>d</sup> Emergency management: there is a net effect about \$0.1 billion more in 2012 RoGS than there would have been if S/TES expenditure was not reported. State and Territory Emergency Services (S/TES) expenditure has been included in this Report for the first time. <sup>e</sup> Housing and homelessness: there is a net effect of about \$2.6 billion less in the 2012 RoGS than would have been reported if Commonwealth Rent Assistance (CRA) expenditure was included. CRA expenditure was included in previous reports. <sup>f</sup> Data exclude user cost of capital.

Source: Sector summaries C, F and G; Chapters 3–17.

<sup>3</sup> General Government Final Consumption Expenditure, sourced from ABS *National Income, Expenditure and product, Australian National Accounts Cat. no. 5206.0*.



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### **Box 1.2 Cost to government and total cost**

This RoGS provides information about the cost to government of providing services. Governments aim to maximise the benefit to the community from the use of government funds. It may be argued that the RoGS should also account for the costs where non-government groups such as charities, not-for-profit organisations, private providers and users of services contribute resources for the services covered by the RoGS. Although the contributions of these other groups are not negligible, the purpose of the RoGS is to provide information to assist governments in making decisions about the effectiveness and efficiency of government expenditures.

If a government provides services directly, then it is accountable for all resources used. In such circumstances, the RoGS aims to include the full costs of providing the service, including the cost of capital. This approach allows governments to compare the internal management of their services with that of counterparts in other jurisdictions.

The RoGS also includes information on the cost to government of services delivered in other ways, including the purchase of services from government and non-government providers. This information can assist governments in assessing their purchase decisions.

Sometimes, a private organisation will offer to deliver a service at a lower cost to government than the cost of government providing that service directly, even though the private organisation may use at least as many resources as the government provider. This situation can arise for not-for-profit organisations such as charities, which may be able to charge less because they operate the service as an adjunct to another activity or because they have access to resources that are not costed at market rates (such as donations, church buildings and volunteers).

The RoGS does not seek to facilitate comparisons between the internal management of government providers and the internal management of non-government providers, and there would be difficulties in collecting data to make such comparisons. As a result, there is no attempt to compare the full cost of delivery by non-government organisations with the full cost of delivery by government service providers.

The focus of the RoGS is on the effectiveness and efficiency of government purchase or supply of specific services, rather than on general government income support. That is, the RoGS 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). The impact of child care subsidies on the affordability of childcare services is reported (chapter 3), and some information on Commonwealth Rent Assistance is reported on the basis that it is a targeted payment to assist in the purchase of housing services, and is not general income support (chapter 16).

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## 1.5 Approach

The RoGS uses a common method for reporting comparative performance for a range of services. Adopting a common method has several benefits:

- a convenient and useful resource for people interested in multiple service areas
- insights into approaches to performance assessment across services
- progress in performance reporting in any one service area demonstrates what is possible and encourages improved reporting by other services
- a capacity to address issues that arise across service areas (for example, how to measure timeliness and other aspects of quality)
- an opportunity to address issues that have an impact on (or are affected by) multiple service areas.

A number of the services covered by the RoGS are also subject to other performance measurement exercises. Distinguishing features of the approach taken in the RoGS are:

- a focus on non-technical information, making it accessible to non-specialists
- regular publication, allowing monitoring of performance over time
- inclusion of much otherwise unpublished data to present comprehensive performance information
- the compilation of performance reporting across a number of service areas in a single report, facilitating the sharing of insights across service areas.

### Guiding principles

The primary aim of the RoGS is to provide objective performance information to facilitate informed policy judgments. The guiding principles in box 1.3 are drawn from extensive Steering Committee experience, the Review and RoGS, the terms of reference and charter of operations, and performance reporting criteria set out in the Intergovernmental Agreement on Federal Financial Relations.

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### Box 1.3 **Guiding principles of RoGS**

The RoGS primary purpose is to provide comparative information to governments about the equity, effectiveness and efficiency of government services. An important, but secondary purpose is to promote public accountability.

The Steering Committee will use its influence to encourage working groups, parallel exercises and technical experts to develop collections, definitions, counting rules and measurement standards to implement the following guiding principles.

*Comprehensiveness* — performance indicator frameworks should be comprehensive, assessing performance against all important objectives.

*Streamlined reporting* — performance indicator frameworks aim to provide a concise set of information about performance against the identified objectives of a sector or service. Annual strategic plans will review performance indicator frameworks to identify redundant or unnecessary indicators, or gaps in reporting.

*A focus on outcomes* — high level performance indicators should focus on outcomes, reflecting whether service objectives have been met.

*Hierarchical* — where a greater level of sector specific detail is required, high-level outcome indicators should be underpinned by lower level output indicators (such as those reported in chapters) and additional disaggregated data (such as information in attachment tables).

*Meaningful* — reported data must measure what it claims to measure. Proxy indicators will be clearly identified as such and the Steering Committee will encourage the development of more meaningful indicators to replace proxy indicators where practicable.

*Comparability* — the ultimate aim is data that are comparable — across jurisdictions and over time. However, comparability may be affected by progressive data availability. Where data are not yet comparable across jurisdictions, time series analysis within jurisdictions is particularly important. Sometimes, there will be a trade-off between continuing a time series and reporting performance indicators that change when improved or more appropriate performance indicators are developed.

*Progressive data availability* — progress may vary across jurisdictions and data are generally presented for those jurisdictions that can report (not waiting until data are available for all).

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### Box 1.3 (continued)

*Timeliness* — to be relevant and enhance accountability, the data published will be the most recent possible — incremental reporting when data become available, and then updating all relevant data over recent years, is preferable to waiting until all data are available. Sometimes, there will be a trade-off between the degree of precision of data and its timely availability, because more recent data has had less time for validation.

*Use acceptable (albeit imperfect) performance indicators* — use relevant performance indicators that are already in use in other national reporting arrangements *wherever appropriate*. Adopting existing indicators can ensure consistency with other, relevant reports where this adds value, lowers the costs of data collection and avoids delays in reporting.

*Understandable* — to improve public accountability, data must be reported in a way that is meaningful to a broad audience, many of whom will not have technical or statistical expertise. Reported data will be accessible, clear and unambiguous so that the community can come to its own judgements on the performance of governments in delivering services.

*Accurate* — data published will be of sufficient accuracy to provide confidence in analysis based on information in the RoGS.

*Source:* Steering Committee for the Review of GSP (unpublished); Ministerial Council for FFR (2009).

## Benchmarking

The terms ‘comparative performance reporting’ and ‘benchmarking’ are sometimes used interchangeably. However, ‘benchmarking’ can have a particular connotation of measuring performance against a predetermined standard (box 1.4). Using the terms in box 1.4, the RoGS can be considered as a form of results or process benchmarking, but the RoGS does not generally establish best practice benchmarks. However, governments can use the information in the RoGS to identify appropriate benchmarks.

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### **Box 1.4 Benchmarking**

Benchmarking is a systematic process of searching for and encouraging the introduction of best practice. The three main forms of benchmarking are: (1) results benchmarking (comparing performance within and between organisations using performance indicators of effectiveness and efficiency); (2) process benchmarking (analysing systems, activities and tasks that turn inputs and outputs into outcomes); and (3) setting best practice standards (establishing goals and standards to which organisations can aspire).

Benchmarking typically involves a number of steps. Whatever the chosen approach or focus, the steps usually include:

- deciding why, when, and what to benchmark
- analysing plans and performance (reviewing objectives and identifying performance indicators and own performance)
- establishing benchmarking partners
- obtaining performance data and analysing differences in performance
- identifying best practice and the most useful improvements
- implementing improvements in practice
- assessing improvements and re-benchmarking (MAB/MIAC 1996).

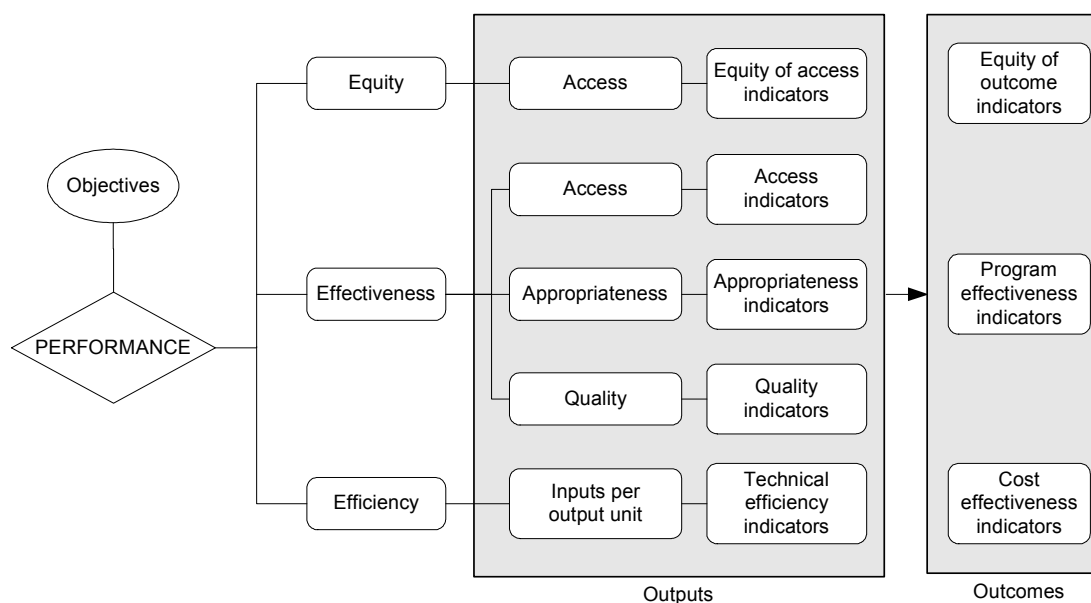
The performance information in the RoGS can contribute to many of the above steps in a results benchmarking cycle, and assist governments to implement best practice.

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

The RoGS' general performance indicator framework is set out in figure 1.2. 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.

In response to review of RoGS recommendations, an Independent Reference Group (IRG) reviewed the RoGS' general performance indicator framework. The Steering Committee endorsed the IRG's report in September 2010 (IRG 2010). An extensive literature review and case studies of other performance reporting exercises confirmed that the RoGS possesses a robust performance indicator framework. This conclusion is consistent with the findings of the review of the RoGS (COAG 2009). However, the IRG report identified some potential improvements to the RoGS' framework, which will be implemented in the 2013 RoGS. The IRG report is available at [www.pc.gov.au/gsp/independent-reference-group-report](http://www.pc.gov.au/gsp/independent-reference-group-report).

**Figure 1.2 A general framework and examples of performance indicators**



### *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’.

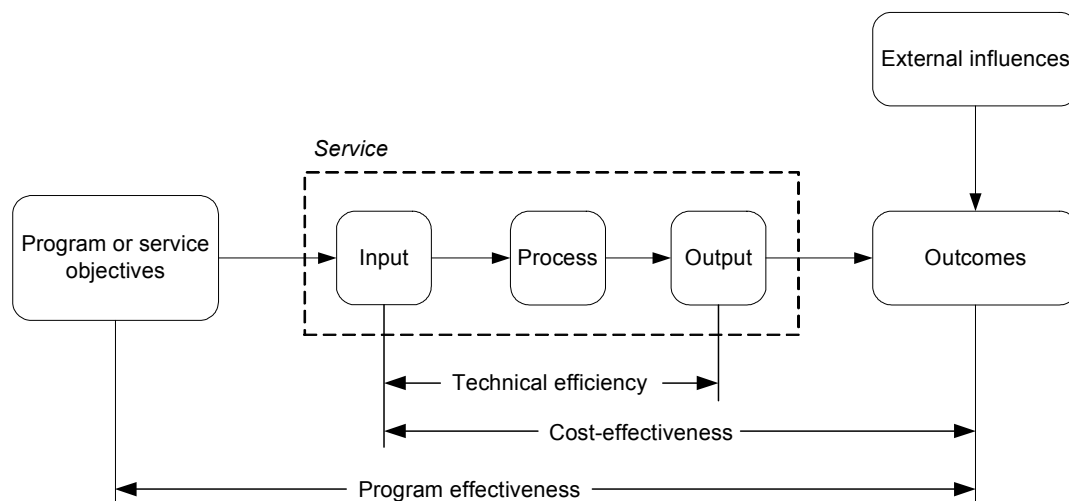
The impact of these outputs on individuals, groups and the community are the outcomes of the service. In RoGS, the rate at which inputs are used to generate outcomes is referred to as ‘cost effectiveness’. Often, outcomes (and to a lesser extent, outputs) are influenced by factors external to the service. Figure 1.3 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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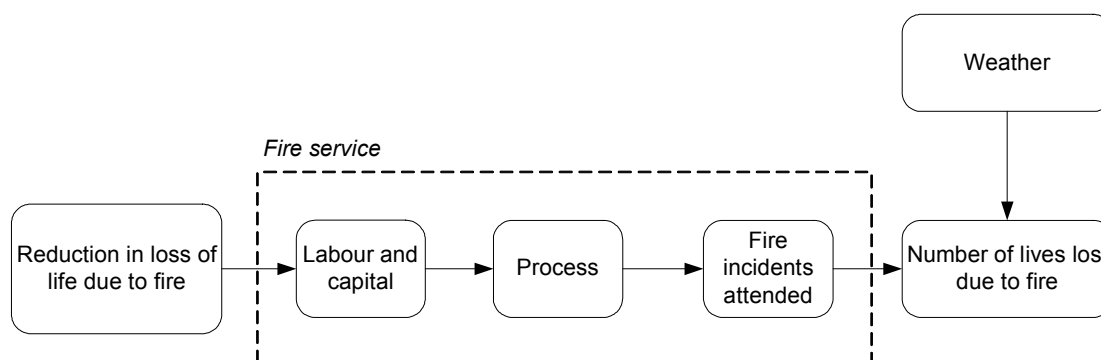
Figure 1.3 **Service process**

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**Example: general model**



**Example: fire services**



**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 1.2). 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 trade-offs in allocating resources and dangers in analysing only some aspects of a



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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 1.5. 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
- geographic location.

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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.

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 for both a jurisdiction's ability to raise revenue, and influences beyond a

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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 2007). 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.

## **Variations to the general framework**

In the health and emergency management areas of the RoGS, the general framework has been adapted to align more closely with the specific objectives and functions of the relevant services. These variations are explained in detail in the Health sector summary (sector summary E) and the Emergency management sector summary (sector summary D) and Fire, road rescue and ambulance chapter (chapter 9).

## **1.6 Using the data in this RoGS**

The Steering Committee is progressively introducing data quality information for performance indicators in the RoGS. The data quality information for each indicator addresses in detail many of the data issues discussed below.

### **Data comparability**

For each service, the performance indicator framework and indicator interpretation boxes show which data are provided on a comparable basis and which are not directly comparable. Where data are not directly comparable, appropriate qualifying commentary is provided in the text or footnotes. Data may not be directly comparable if:

- definitions or counting rules differ or are so broad that they result in different interpretations (for example, depreciation rules)
- the scope of measurement varies (for example, waiting times for elective surgery)
- where data are drawn from samples (such as surveys) and the sample size is too small for statistical reliability.

These issues do not always lead to material differences, and even where the differences are significant, relatively simple adjustments can resolve them in many cases. For example, payroll tax exemption has a material influence on the

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comparability of unit cost indicators, but cost data are adjusted in most chapters to account for payroll tax (SCRCSSP 1999).

## **Validation**

Data contained in the RoGS vary in the extent to which they have been reviewed or validated. At a minimum, all data have been endorsed by the contributor and subjected to peer review by the Working Group for each service. Some data are formally audited and a large proportion of reported data are supplied and verified by data collection agencies such as the ABS and the Australian Institute of Health and Welfare.

## **Timeliness and accuracy**

Timeliness of data is an important consideration for policy makers. Sometimes there is a trade-off between the precision of data and its timely availability — data that are provided in a timely manner have had less time to undergo rigorous validation.

The Steering Committee manages this trade-off between timeliness and precision by publishing available data with appropriate qualifications. The ongoing nature of the RoGS provides an opportunity for the data to be improved over time. Publication increases scrutiny of the data and encourages timely improvements in data quality.

Improving the timeliness and accuracy of the data requires a high level of cooperation between the Steering Committee and participating agencies from all jurisdictions. Users of the RoGS are also an important source of feedback on issues relating to the improvement of performance reporting. The Steering Committee welcomes feedback, which can be forwarded to the Secretariat (see the contact details inside the front cover of this RoGS).

## **Effects of factors beyond the control of agencies**

The different environments in which service agencies operate affect the outcomes achieved by the agencies. Any comparison of performance across jurisdictions should consider the potential impact of differences in clients, geography, available inputs and input prices. Relatively high unit costs, for example, may result from inefficient performance, or from a high proportion of special needs clients, geographic dispersal, or a combination of these and other factors. Similarly, a poor result for an effectiveness indicator may have more to do with client characteristics than service performance.

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The RoGS provides information on some of the differences that might affect service delivery, to assist readers to interpret performance indicator results. This information takes the form of profiles of each service area, footnotes to tables and figures, data quality information (for many indicators) and a statistical appendix (appendix A). The statistical appendix provides a range of general descriptive information for each jurisdiction, including the age profile, spatial distribution, income levels and education levels of the population, the tenure of dwellings and cultural heritage (such as Indigenous and ethnic status).

The RoGS does not attempt to adjust reported results for differences that can affect service delivery. Users of the RoGS will often be better placed to make the necessary judgments, perhaps with the benefit of additional information about the circumstances or priorities of specific jurisdictions.

## **1.7 Other performance measurement exercises**

### **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):

- *National Healthcare Agreement*
- *National Education Agreement*
- *National Agreement for Skills and Workforce Development*
- *National Affordable Housing Agreement*

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- *National Disability Agreement*
  - *National Indigenous Reform Agreement.*

COAG also agreed to a new form of payment — National Partnership (NP) payments — to fund specific projects and to facilitate and/or reward states and territories that deliver on nationally significant reforms.

Five of the NAs 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. These five SPPs cover school education, vocational education and training (VET), disability services, healthcare and affordable housing. The *National Indigenous Reform Agreement* is not associated with a specific SPP, but draws together Indigenous elements from the other NAs and is associated with several NP agreements.

Under the reforms, each NA contains the objectives, outcomes, outputs and performance indicators for each sector, and clarifies the respective roles and responsibilities of the Australian and State and Territory governments in the delivery of services. The performance of all governments in achieving mutually agreed outcomes and benchmarks specified in each NA will be monitored and assessed by the COAG Reform Council (CRC).

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 2008a). The Steering Committee recognises the importance of ensuring that related COAG performance reporting exercises are aligned. The Steering Committee has aligned all relevant RoGS performance indicators with those in related NAs.

The Steering Committee also has a role in NP reporting:

- Schedule C of the NP on hospital and health workforce reform (subacute care) specifies that states and territories must provide reports against annual growth targets, measured on a regional basis, to the Steering Committee (COAG 2009)
- To date, the CRC has requested that the Steering Committee collate the performance information for the following reward NPs:
  - NP Agreement on Youth Attainment and Transitions (Youth Attainment NP)
  - NP Agreement on Essential Vaccines (Essential Vaccines NP)
  - NP Agreement on the Elective Surgery Waiting List Reduction Plan (Elective Surgery NP)



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- NP Agreement in Improving Public Hospital Services (Improving Public Hospitals NP).

Further, the MCFER has stated that the Review Secretariat must be consulted on the design of performance benchmarks for reward payments, and that reviewers of NPs should consult with the Review Secretariat (MCFER 2010).

### *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.

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An *Australian Government Supplement* was published in September 2010. The second edition of the IER is anticipated to be published in mid-2012.

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.

## **Other performance monitoring in Australia and overseas**

Performance reporting exercises are undertaken in other countries using various approaches. International case studies of the following performance reporting exercises are available in Appendix B of the *Review of the Report on Government Services' performance indicator framework report* (IRG 2010). These exercises remained active in late-2011:

- *Social Report*, New Zealand (Ministry of Social Development 2011)
- *Scotland Performs* (The Scottish Government 2011)
- *Performance Information* (Audit Scotland 2011)
- *National Indicator Set*, UK (Audit Commission 2011)
- *System of Social Indicators*, European Union (GESIS 2011)
- *Community Accounts*, Canada (Government of Newfoundland & Labrador 2011)
- *Virginia Performs*, USA (CoV 2011)
- *Government at a Glance*, OECD (OECD 2011)
- *OECD Factbook* (OECD 2010).

Case studies of Australian State and Territory performance reporting exercises are also available in Appendix C of the Review of the Report on Government Services' performance indicator framework. These exercises remained active in late-2011 (except where identified):

- *NSW State Plan* (renamed *NSW 2021*) (NSW Government 2011)
- *Growing Victoria Together* (DPC 2001) no longer active
- *Toward Q2: Tomorrow's Queensland* (Queensland Government 2011)
- *South Australia's Strategic Plan* (SA Government 2011)
- *Tasmania Together 2020* (Tasmanian Government 2011)
- *The Canberra Plan* (ACT Government 2011)
- *Territory 2030* (NT Government 2011).

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