1 Background

This Compendium of Indigenous data is drawn entirely from information contained in the *Report on Government Services 2010* (2010 Report). The Report, which is published annually, is a product of the Review of Government Service Provision.

A Steering Committee, comprising senior representatives from the central agencies of all governments, manages the Review with the assistance of a Secretariat provided by the Productivity Commission. The Steering Committee has overall responsibility for the work of the Review, including its annual publication, the *Report on Government Services*. 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 (box 1.1).

The Report on Government Services, now in its fifteenth edition, is a tool for government. It has been used for strategic budget and policy planning, and for policy evaluation. Information in the Report has been used to assess the resource needs and resource performance of departments. It has also been used to identify jurisdictions with whom to share information on services.

The data in the Report 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.

Box 1.1 Terms of reference for the Review of Commonwealth/State Service Provision

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

- establish the collection and publication of data that will enable ongoing comparisons of the efficiency and effectiveness of Commonwealth and State government services, including intra-government services. This will involve:
  - establishing performance indicators for different services which would assist comparisons of efficiency and effectiveness. The measures should, to the maximum extent possible, focus on the cost effectiveness of service delivery, as distinct from policy considerations that determine the quality and level of services; and
  - collecting and publishing data that 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 2010 p. xxxi.

COAG agreed in 2009 to a review of the Report on Government Services, to be undertaken by a combined Senior Officials and Heads of Treasuries Working Group. COAG endorsed the review's recommendations at its 7 December 2009 meeting, including that 'the Steering Committee's central role in collecting and publishing data on government service delivery, and the need for timely access to data held by data providers, should be stated in [a] new terms of reference and mandated by COAG' (COAG 2009, recommendation 20). The Steering Committee will implement these recommendations over the next three Report editions (2010 Report, chapter 2).

The focus of the Report is on the effectiveness and efficiency of government purchase or supply of specific services, rather than on general government income support. That is, the Report 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 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).

The 2010 Report contains performance information on 14 overarching service areas (box 1.1, p. 1.6). 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).

Indigenous reporting in the 2010 Report

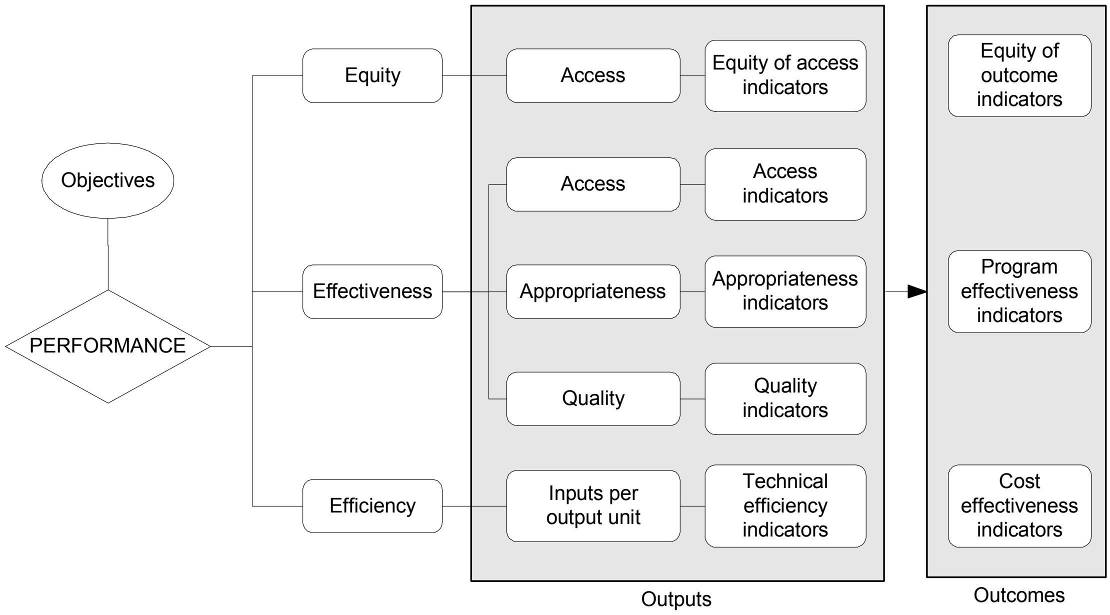
Services covered by the 2010 Report and, therefore, in this Indigenous Compendium include:

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

The performance indicator framework

The Report's general performance 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: 2010 Report, figure 1.2, p. 1.12.

The service process

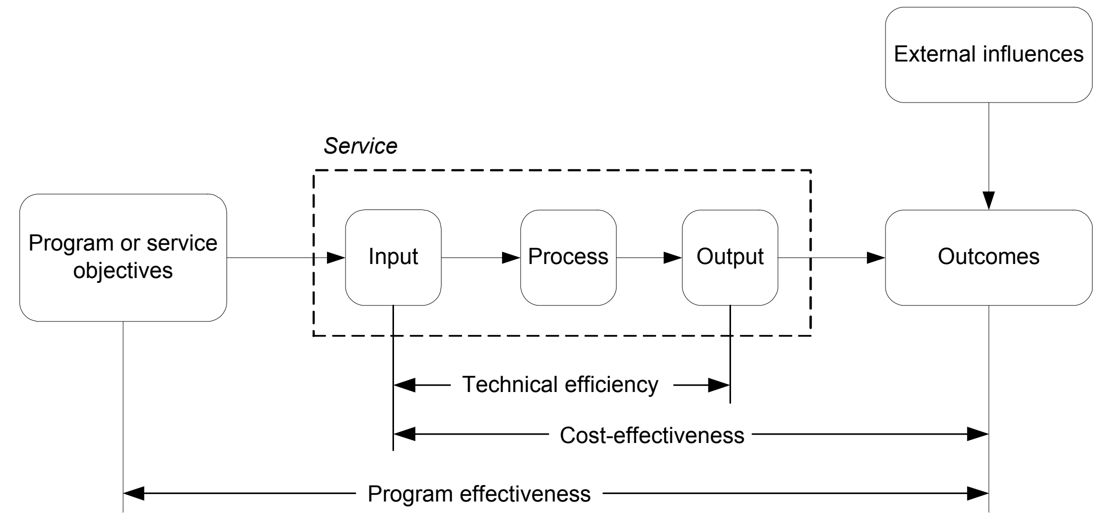
The general framework reflects the service process through which service providers transform inputs into outputs and outcomes in order to achieve desired policy and program objectives.

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'.

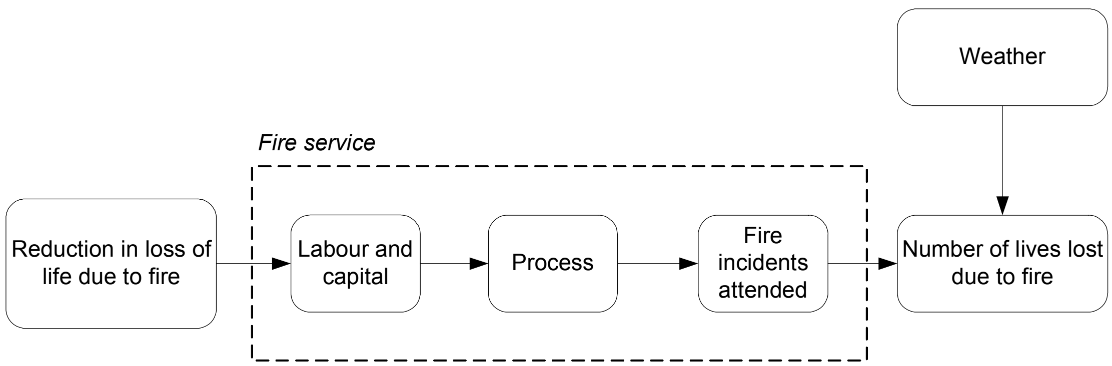
The impact of these outputs on individuals, groups and the community are the outcomes of the service. In this Report, the rate at which resources are used to generate outcomes is referred to as 'cost effectiveness'. Often, outcomes (and to a lesser extent, outputs) are influenced by factors external to the service. Figure 1.2 distinguishes between program efficiency and program effectiveness, and notes the influence of factors external to a service.

Figure 1.2 **Service process**

Example: general model



Example: fire services



Source: 2010 Report, figure 1.3, p. 1.13.

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 *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.

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. Outputs are the actual 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 Report 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 Report.)

While the aim of the Review is to focus on outcomes, they are often difficult to measure. The Report therefore includes measures of outputs, with an understanding that there is a relationship between those outputs and desired outcomes, and that the measures of outputs are proxies for measures of outcomes. Output performance 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.

Equity, effectiveness and efficiency

There are inherent 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. The Report takes a comprehensive view of performance reporting, and its frameworks incorporate indicators across all relevant dimensions of performance.

In early editions, the Report framework gave equal prominence to effectiveness and efficiency as the two overarching dimensions of performance, with equity treated as a sub-dimension of effectiveness. The Report's framework now refers to equity as a third element of performance, separate from effectiveness and efficiency. The principal reason for this distinction is that effectiveness indicators are generally absolute measures of performance, whereas equity indicators relate to the gap in service delivery outputs and outcomes between special needs groups and the general population. Accentuating equity highlights the potential for trade-offs across all three performance dimensions — equity, effectiveness and efficiency. Improving outcomes for a group with special needs, for example, may necessitate an increase in the average cost per unit of service.

Equity

The term 'equity' has a number of interpretations, which are explained in box 1.2. Equity indicators in this Report measure how well a service is meeting the needs of particular groups in society with special needs. Indicators may reflect both 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 1.2 **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 Report:

- *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 and adjust aspects of service delivery to suit these needs. 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
- race or ethnicity
- 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 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 Report 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 reasonable 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, aged care 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 either the metropolitan, rural and remote area classification system or the Australian Bureau of Statistics' (ABS 2007) Australian Standard Geographical Classification of remoteness areas. These 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 chapter is outlined in chapter 2.

Such classifications are imperfect indicators of the time and cost of reaching a service. Further, they do not consider the client's capacity to bear the cost of receiving the service (Griffith 1998). To improve the model, service centre locations would need to be reclassified according to the services they provide and the client's cost of accessing the service. 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 than in metropolitan areas because there is less traffic.

Effectiveness

Effectiveness indicators measure how well the outputs of a service achieve 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.

Access

Access indicators measure how easily the community can obtain a service. In this Report, access has two main dimensions, undue delay (timeliness) and undue cost (affordability). Timeliness indicators in this Report include waiting times (for example, in public hospitals and for aged care services). Affordability indicators in this Report relate to the proportion of income spent on particular services (for example, out-of-pocket expenses in children's services).

Appropriateness

Appropriateness indicators measure how well services meet client needs. An appropriateness indicator for the Supported Accommodation and Assistance Program, for example, is the proportion of clients receiving the services that they are assessed as needing. 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) 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 1.1). 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.

This Report 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 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 are not included or are treated inconsistently (for example, superannuation, overheads or the user cost of capital). The Steering Committee 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.

Other related performance measurement exercises

Three other COAG performance measurement exercises are closely related to this Report. These either include Indigenous reporting or are primarily focused on Indigenous reporting:

- National Agreement 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 this Report 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 has general oversight of the operations of the IGA [para. A4(a)].

The IGA included six new National Agreements (NAs) including the *National Indigenous Reform Agreement (NIRA),* which while not associated with a national Specific Purpose Payment that can provide funding to the states and territories for the sector covered by the other NA's the *National Indigenous Reform Agreement* draws together Indigenous elements from the other NAs and is associated with several NP agreements.

The Steering Committee recognises the importance of ensuring that related COAG performance reporting exercises are aligned. For the 2010 Report, the Steering Committee revised performance indicator reporting in the Early childhood, education and training section (Part B) of the Report, to align with the education and training NAs and the NIRA. The Steering Committee anticipates that further alignment between this Report and the other NAs will be implemented in the 2011 Report.

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 was updated in March 2009. Four editions of the *Overcoming Indigenous Disadvantage: Key Indicators* report have been published

(SCRGSP 2003, 2005, 2007, 2009). The fifth edition of the Overcoming Indigenous Disadvantage (OID) report is anticipated to be released in mid-2011.

In contrast to the Report on Government Services, which focuses on the efficiency and effectiveness of specific services as well as outcomes of these services, the Overcoming Indigenous Disadvantage report focuses on outcomes for Indigenous people. It does not report on individual government services. The reporting framework has two tiers: 'COAG targets and headline indicators' for the longer term outcomes sought; and a second tier of 'strategic areas for action' and 'strategic change indicators' 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 committed to ensuring alignment with relevant indicators in the Report on Government Services.

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 Steering Committee, an arrangement endorsed by COAG in 2009.

The Indigenous Expenditure Report Steering Committee — under the auspices of the Heads of Treasuries and in consultation with Indigenous organisations, governments and researchers — has 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 first data report is expected to be delivered to Heads of Treasuries by mid-2010.

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