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Performance reporting for national funding agreements

Introduction

- 4.1 This chapter examines the performance reporting requirements for national funding agreements. Firstly, it explores the necessity for cultural change across all levels of government to adapt to the reporting requirements for an outcomes focused framework. The chapter then looks at the factors that must be considered in order to provide viable, relevant data. This leads to a discussion about data quality and collection. Finally the chapter examines some of the improvements that are underway to address the issues identified in the chapter.
- 4.2 A strong performance reporting framework is essential to provide transparency, accountability and scrutiny of the Intergovernmental Agreement on Federal Financial Relations (IGA FFR). These areas will be covered in Chapter 5.

Accountability and performance reporting

- 4.3 The IGA FFR is outcomes-based, promising a 'rigorous focus on the achievement of outcomes—that is mutual agreement on what objectives, outcomes and outputs improve the well-being of Australians'.¹

1 COAG, *Intergovernmental Agreement on Federal Financial Relations* (2008), COAG website <http://www.coag.gov.au/intergov_agreements/federal_financial_relations/docs/IGA_federal_financial_relations.pdf> viewed 17 October 2011.

4.4 While an outcomes approach focuses on the achievement of objectives and provides better value for money and flexibility, witnesses warned that it also demands increased accountability. The Commonwealth Auditor-General advised the Committee that performance measurement was central to accountability, explaining that parliament cannot be confident national funding agreements are achieving the required outcomes without successful reporting:

Without clear, adequate and consistent reporting against meaningful performance measures, the Parliament is constrained in its ability to understand and assess how Commonwealth funding is contributing to the achievement of value-for-money outcomes in areas covered by national funding agreements.²

4.5 The Council of Australian Governments Reform Council (CRC) told the Committee that, to ensure accountability, a strong reporting framework was necessary, including objectives, outcomes and performance indicators:

The [CRC] must be able to assess the jurisdictions' progress over time in the areas covered by the national agreements, and it therefore must have access to adequate and reliable information and data to inform its assessments.³

4.6 The Committee heard that there are several issues that need to be addressed in order to improve accountability and the reporting framework for national funding agreements:

- cultural change;
- setting reporting objectives;
 - ⇒ clearly defined outcomes; and
 - ⇒ key performance indicators;
- data quality;
 - ⇒ timeliness;
 - ⇒ comparability; and
 - ⇒ generic data collections; and
- meaningful interpretation.

2 ANAO, *Submission 1*, p. 6.

3 Ms Mary Ann O'Loughlin, Executive Councillor and Head of Secretariat, COAG Reform Council (CRC), *Committee Hansard*, 6 July 2011, p. 1.

Cultural change

4.7 Witnesses warned that achieving the benefits of an outcomes-based framework requires significant cultural change at all levels of government. The CRC identified the need for extensive cultural change, reminding the Committee that the reform of federal financial relations ‘challenge[s] conventional practices’ and will necessitate ‘[g]enuine cooperation, a commitment to outcomes, respect for roles and responsibilities, and real accountability’.⁴

4.8 The Committee asked whether or not government departments and agencies had accepted the need for cultural change and made the necessary adjustments. The Victorian Government maintained that the changes had been accepted and embraced at ministerial and central agency level but admitted that there were problems at line agency level:

The cultural challenge that we have is one where some people in some of the relevant line agencies ...are taking a while to absorb what is a really marked conceptual shift. ...The challenge that we have is persuading some of those who for many years in line agencies and both levels of government have been dealing with these very prescriptive SPPs to realise that the world has changed fundamentally.⁵

4.9 The Committee asked what the barriers were to achieving this cultural shift. Echoing the Victorian Government’s comments, the Queensland Government cautioned that an inputs approach was entrenched in many government departments and this mind-set would take some time to adjust:

It is simply a matter of getting people to change the way they think. In this case what Commonwealth line agencies require from state agencies under a particular agreement is an issue that can be resolved in time, but it is very hard to change overnight people’s views and expectations about what needs to be done under a particular agreement.⁶

4.10 The Queensland Auditor-General suggested that it is more difficult to measure outcomes than inputs and this explained the reluctance of departments and agencies to change:

4 COAG Reform Council (CRC), *Submission 11*, p. 2.

5 Mr Speagle, Department of Premier and Cabinet, Victoria, *Committee Hansard*, Canberra, 16 September 2011, p. 16.

6 Dr Ward, Queensland Treasury, *Committee Hansard*, Brisbane, 19 July 2011, p. 7.

Everyone is comfortable with controlling inputs because you can measure them; you can see them. People are less comfortable with outcomes because they are a bit more difficult to describe and to measure.⁷

- 4.11 The Productivity Commission (PC) elaborated on this concept, proposing that agencies were not comfortable being held accountable for outcomes which are less easy to control than inputs:

Outcomes can be affected by a lot of external contextual factors, an agency can say, 'I don't control the unemployment rate, and the unemployment rate is actually a major factor in homelessness, so you can't hold me responsible for that high-level outcome.'⁸

- 4.12 The Committee asked what steps are being taken by the various parties to promote cultural change. The Queensland Government admitted that it is still working through solutions to address this issue but told the Committee that it is implementing a range of methods to encourage and support the necessary change:

We are looking at a few mechanisms, but mostly in the area of what we can do in terms of training material and documentation. For instance, we are looking at guidance, practitioner's toolkits and that kind of material at a fairly technical level.⁹

- 4.13 The Department of the Prime Minister and Cabinet (PM&C) confirmed that cultural change was a long term goal that required 'an ongoing educative exercise' and acknowledged that the federal departments responsible for implementing the IGA FFR had 'underestimated the amount of work that we would need to do to change the culture'.¹⁰

7 Mr Glenn Poole, Auditor-General, Queensland, *Committee Hansard*, Brisbane, 19 July 2011, p. 11.

8 Mr Lawrence McDonald, Assistant Commissioner, Social Infrastructure Branch, Head of Secretariat, Steering Committee for the Review of Government Service Provision, Productivity Commission (PC), *Committee Hansard*, Canberra, 21 September 2011, p. 4.

9 Mr Laurie Ehrenberg, Principal Treasury Analyst, Intergovernmental Relations Branch, Queensland Treasury, *Committee Hansard*, Brisbane, 19 July 2011, p. 7.

10 Mr Ron Perry, Assistant Secretary, COAG Unit, Economics Division, Department of the Prime Minister and Cabinet, *Committee Hansard*, Canberra, 16 September 2011, pp. 35-36.

Setting reporting objectives

- 4.14 To lay the foundation for reliable performance reporting clear reporting objectives have to be established by precisely defining the outcomes required for each individual national funding agreement. Once objectives are clear, key performance indicators can be developed to measure and assess outcomes.

Clearly defined outcomes

- 4.15 The Commonwealth Auditor-General told the Committee that outcomes must be clearly defined and that this required ‘clarity around the policy objectives’ of national funding agreements.¹¹ This advice was reiterated by state Auditors-General and academics.¹² The Queensland Auditor-General told the Committee:

...it is knowing what you want and what you want to use it for which is important.¹³

- 4.16 The Queensland Auditor-General went on to provide the example of the Building the Education Revolution (BER), telling the Committee that lack of clarity around policy outcomes hampered performance reporting for this national funding agreement:

I am still bemused as to whether the stimulus package [BER] was about spending the money quick or actually achieving some outcomes by way of school buildings. If I look at the agreement, there is not a clear sense as to should the money have just been spent and spent quickly,...or should it have been spent well to actually deliver some buildings and some capacity.¹⁴

- 4.17 While agreeing with the need to specify measureable outcomes, the NSW Auditor-General cautioned that this can be a difficult task in itself.¹⁵ He explained that outcomes must neither be too broad or too specific:

11 Mr Ian McPhee, Auditor-General, Australian National Audit Office (ANAO), *Committee Hansard*, Canberra, 24 June 2011, pp. 2 and 3.

12 Mr Tony Whitfield, Deputy Auditor-General, Audit Office of New South Wales, *Committee Hansard*, Sydney, 19 August 2011, p. 5; Mr Poole, Auditor-General, Queensland, *Committee Hansard*, Brisbane, 19 July 2011, p. 10; Associate Professor Anne Twomey, *Committee Hansard*, Sydney, 19 August 2011, p. 13.

13 Mr Poole, Auditor-General, Queensland, *Committee Hansard*, Brisbane, 19 July 2011, p. 10.

14 Mr Poole, Auditor-General, Queensland, *Committee Hansard*, Brisbane, 19 July 2011, p. 13.

15 Mr Peter Achterstraat, Auditor-General, Audit Office of New South Wales, *Committee Hansard*, Sydney, 19 August 2011, p. 1.

...if the outcomes are too broad it becomes very difficult to measure whether they have been effective. For example, if they say, 'Here's a bucket of money – the outcome we want is better health,' it is quite difficult to measure whether that has been achieved. But if they say, 'Here's a bucket of money– we want you to buy this number of syringes,' that is pretty pointless as well.¹⁶

- 4.18 The Queensland Auditor-General identified another difficulty. Given the multijurisdictional nature of many national funding agreements it is difficult to articulate outcomes and specify measurements:

So there will be a number of factors that are impacting on the achievement of the outcome, not all of which will be controlled by either the state or the Commonwealth...¹⁷

Key performance indicators

- 4.19 Effective performance measurement is facilitated by the development of relevant key performance indicators (KPIs). The Commonwealth Auditor-General advised the Committee that the shift to outcomes measurement 'requires performance indicators that link directly to outcomes'.¹⁸ Likewise, the CRC told the Committee that its ability to provide useful performance reporting depends on developing relevant KPIs that are linked to objectives and outcomes.¹⁹
- 4.20 The Committee asked the PC what process is used to develop the KPIs. The PC informed the Committee that the high level indicators were developed by the Council of Australian Governments' (COAG) working groups and endorsed by COAG.²⁰ These indicators were 'fairly broad' so the PC consulted with Ministerial Council data subcommittees, PC review working groups, data providers and the CRC to develop more specific indicators.²¹ The PC advised that the indicators are continually revised on

16 Mr Achterstraat, Auditor-General, Audit Office of New South Wales, *Committee Hansard*, Sydney, 19 August 2011, p. 1.

17 Mr Poole, Auditor-General, Queensland, *Committee Hansard*, Brisbane, 19 July 2011, p. 14.

18 ANAO, *Submission 1*, p. 2.

19 CRC, *Submission 11*, p. 3.

20 Mr McDonald, Head of Secretariat, Steering Committee for the Review of Government Service Provision, PC, *Committee Hansard*, Canberra, 21 September 2011, p. 8.

21 Mr McDonald, Steering Committee for the Review of Government Service Provision, PC, *Committee Hansard*, Canberra, 21 September 2011, p. 8.

advice from the CRC and stakeholder consultation is repeated with each revision.²²

- 4.21 Despite the attempts to align KPIs with outcomes and objectives, witnesses repeatedly claimed that KPIs are inadequate. The Queensland Government told the Committee that a number of KPIs are 'not relevant'.²³ In their submission, the NSW Government argue that KPIs are often not appropriate:

Performance indicators should be well connected to, and provide comprehensive coverage of, the high level objectives and outcomes of agreements. Currently this is not the case for many NAs and NPs.²⁴

- 4.22 Specifically, witnesses were highly critical of the profusion of KPIs. A number of witnesses pointed to the National Healthcare Agreement as an example of the unwieldy overuse of KPIs. The NSW Government told the Committee that although 70 indicators may provide a useful overview of the health system it is neither sustainable nor meaningful.²⁵ Further, there is insufficient data available to measure the indicators and the CRC could only 'meaningfully report against 25 of the 70 indicators' in 2010.²⁶ The NSW Government concedes that data could be provided for more of the indicators but warns that the cost of achieving such improvements 'cannot be justified'.²⁷

- 4.23 Ultimately, the NSW Government argues for rationalisation of KPIs:

Fewer, more meaningful indicators across the spectrum of agreements will facilitate a sharper focus on what really matters, and make it easier for the public to understand the performance of their governments.²⁸

- 4.24 Another example, provided by the Queensland Government, is the National Agreement for Indigenous Reform. This Agreement has 27 indicators and the Queensland Government only has useful data for 14 of the KPIs and questions whether or not it should set up programs to satisfy

22 Mr McDonald, Steering Committee for the Review of Government Service Provision, PC, *Committee Hansard*, Canberra, 21 September 2011, p. 8.

23 Mr Ehrenberg, Queensland Treasury, *Committee Hansard*, Brisbane, 19 July 2011, p. 4.

24 NSW Government, Treasurer, *Submission 10*, p. 6.

25 NSW Government, Treasurer, *Submission 10*, p. 6.

26 NSW Government, Treasurer, *Submission 10*, p. 6.

27 NSW Government, Treasurer, *Submission 10*, p. 6.

28 NSW Government, Treasurer, *Submission 10*, p. 6.

the other 13 indicators or 'focus on the areas for which we do have data and time series data.'²⁹

- 4.25 The Treasury (Treasury) acknowledged that this is an area that needs attention and indicated that the Heads of Treasuries (HoTs) Review has addressed the issue. Treasury told the Committee that a balance of KPIs is required that will 'give the best analysis of the outcome you are trying to achieve whilst keeping [the number of KPIs] to the minimum you need to do that'.³⁰
- 4.26 The Queensland Government, among others, drew the Committee's attention to the *Conceptual Framework for Performance Reporting* endorsed by COAG in February 2011 which provides a general guide for developing KPIs and addresses many of the issues raised by witnesses.³¹

Data quality and collection

- 4.27 Witnesses repeatedly stressed the inadequacy of the data available to assess performance under national funding agreements. The CRC highlighted its frustration over this ongoing issue and told the Committee its ability to 'meaningfully report on the achievement of outcomes year-on-year is significantly constrained by the availability and quality of nationally comparable data'.³² The CRC said bluntly that 'accountability and transparency fail' without quality data.³³
- 4.28 National Disability Services (NDS) like many other witnesses supported the move to an outcomes focus, however also warned that currently available data was inadequate to measure outcomes.³⁴

29 Dr Ward, Queensland Treasury, *Committee Hansard*, Brisbane, 19 July 2011, p. 3.

30 Mr Peter Robinson, General Manager, Commonwealth-State Relations Division, Treasury, *Committee Hansard*, Canberra, 16 September 2011, pp. 28 and 36.

31 Mr Ehrenberg, Queensland Treasury, *Committee Hansard*, Brisbane, 19 July 2011, p. 3; Ministerial Council for Federal Financial Relations, 'Conceptual Framework for Performance Reporting', <http://www.federalfinancialrelations.gov.au/content/performance_reporting/conceptual_framework_performance_reporting_feb_11.pdf> viewed 23 November 2011.

32 CRC, *Submission 11*, p. 3.

33 CRC, *Submission 11*, p. 3.

34 Dr Ken Baker, Chief Executive, National Disability Services (NDS), *Committee Hansard*, Canberra, 24 June 2011, p. 17.

4.29 The Committee heard that a number of areas need to be addressed to improve the availability and collection of data and ensure effective performance reporting, including:

- timeliness; and
- comparability.

Timeliness

4.30 In their submission the CRC identified the timeliness of data as one of the areas that required attention.³⁵ This concern was shared by others including NDS, who provided the Committee with a relevant example of the problems caused by time gaps in data collection. NDS informed the Committee that the CRC had been forced to draw on data from the 2003 Survey of Disability Ageing and Carers (SDAC) for its latest report which would suggest that the findings do not accurately reflect the current situation:

...a six-year gap between collections makes tracking the effectiveness of the Agreement in relation to a range of key indicators, including employment participation, almost impossible.³⁶

4.31 In his testimony to the Committee, the Chief Executive of NDS elaborated on the distortion caused by the lack of adequate, timely data in this area:

I think the standout case there is figures on workforce participation and employment. These are available at present only through one source, which is the Survey of Disability, Aging and Carers, and that occurs every six years. ... In that area where the government has such a strong focus on increasing workforce participation, where workforce participation is such a key driver of the economy, it seems to me ludicrous to be relying on figures in this area that are six years out of date.³⁷

4.32 The Committee pursued this matter with the Australian Bureau of Statistics (ABS) and were told that, due to policy changes in this area, the SDAC will be expanded and will be run every three years.³⁸

35 CRC, *Submission 11*, p. 3.

36 National Disability Services (NDS), *Submission 7*, p. 3.

37 Dr Baker, NDS, *Committee Hansard*, Canberra, 24 June 2011, p. 18.

38 Mr Bob McColl, Assistant Statistician, Social Conditions Statistics Branch, Social Statistics Group, Australian Bureau of Statistics, *Committee Hansard*, Canberra, 16 September 2011, p. 2.

Comparability

- 4.33 Another issue of concern to the CRC is the availability of nationally comparable data.³⁹ The CRC explained to the Committee that, while it supports the need for state and territory flexibility, in the interests of transparency and accountability there is a need to be able to compare data across governments.⁴⁰ The challenge for the CRC is that different governments set different targets to achieve the outcomes of national funding agreements.⁴¹
- 4.34 For example, the CRC told the Committee that, with regard to the Literacy and Numeracy National Partnership, variations across jurisdictions have included:
- proportion of participating schools and students and the criteria for selecting participating schools;
 - domains, year levels, size of student cohort, student characteristics and sectors for measurement; and
 - calculation of targets and methodologies for establishing baselines and the total number of targets.⁴²
- 4.35 The Committee asked the ABS what steps have been taken to improve the comparability of data across the nation. The ABS explained that the Commonwealth processes had to be clarified before the issue could be taken up with the states and territories.⁴³ Now that those processes are established at the Commonwealth level, the states and territories are being engaged and attempts made to collect comparable data across jurisdictions:
- There is a whole range of differences in the systems in states and territories that we are sorting out in that process as well so that we can get common measurement not so much in the way the services and systems work differently but in what the outcome differences are.⁴⁴
- 4.36 The CRC also alerted the Committee to the need for data to be built up over time to provide both meaningful comparisons across jurisdictions and longitudinal comparisons of changes and trends, a point made by

39 CRC, *Submission 11*, p. 3.

40 CRC, *Submission 11*, p. 4.

41 CRC, *Submission 11*, p. 4.

42 CRC, *Submission 11*, p. 4.

43 Mr McColl, ABS, *Committee Hansard*, Canberra, 16 September 2011, p. 3.

44 Mr McColl, ABS, *Committee Hansard*, Canberra, 16 September 2011, pp. 3–4.

PM&C as well.⁴⁵ The CRC advised that, as the CRC has been operating for nearly three years, solid foundations have been put in place and this aspect of data collection is improving.⁴⁶

Generic data collections

4.37 To streamline data collection and remove some of the burden being placed on line departments and service delivery agencies, the Committee heard that it would be useful if generic data collections could be developed to satisfy the requirements of various reporting frameworks. Dr Baker, Chief Executive Officer of NDS suggested that the PC principle 'one report, many uses' would significantly relieve the reporting burden on smaller agencies:

The picture from the point of view of service providers is that they are often feeding into multiple data collections, some of which overlap and not all of which include meaningful data items. It seems to me that there would be sense in...auditing that and producing a reduced but more meaningful consolidated set which may have multiple purposes.⁴⁷

4.38 The Committee questioned if it was feasible to develop a uniform set of KPIs that would satisfy the reporting requirements of different sectors. Dr Baker was unsure but pointed to similar work being done to rationalise quality compliance systems and suggested this may provide a model:

There are attempts at present to try to ... look at the different quality systems to which organisations have to comply and do a cross-check. So, if they have complied with one quality accreditation system, then they may have complied, in effect, with 90 per cent of another requirement. The same principle could apply to data as well. There will be some data required that is distinct to one particular program or sector and there will be some that will be common to many.⁴⁸

45 Ms O'Loughlin, CRC, *Committee Hansard*, Canberra, 6 July 2011, p. 2; Mr David Hazlehurst, First Assistant Secretary, Economic Division, Department of the Prime Minister and Cabinet (PM&C), *Committee Hansard*, Canberra, 16 September 2011, p. 28.

46 Ms O'Loughlin, CRC, *Committee Hansard*, Canberra, 6 July 2011, p. 2.

47 Dr Baker, NDS, *Committee Hansard*, Canberra, 24 June 2011, p. 19.

48 Dr Baker, NDS, *Committee Hansard*, Canberra, 24 June 2011, p. 20.

Meaningful interpretation

4.39 Meaningful interpretation of data to assess the quality of outcomes was also of concern. The Committee heard that the focus on narrow or quantitative data could make it difficult to assess the quality of the larger outcomes being achieved. For example, NDS explained to the Committee that while public policy outcomes stress the participation of people with a disability ‘in all domains of life, not just the economy but civil society’ such an outcome is very difficult to measure:

...our capacity to measure in a meaningful way what participation in non-economic terms means is not easy.

4.40 The Committee pursued this issue with a number of witnesses and asked what methods were being implemented to ensure meaningful interpretation of the data collected. In particular, the Committee wanted to know what was being done to supplement the facts and figures of quantitative data with more sophisticated qualitative information about the quality of outcomes. PM&C recognised the need to assess ‘quality of life’ outcomes but maintained that this could be done without resorting to direct qualitative methods as Mr Hazlehurst, First Assistant Secretary, explained:

It is in those spaces where the data challenges of course become the most challenging. It is still data. I do not think we are likely to end up in a situation where it would go as far as qualitative data in the form of things like reports from focus groups. However, there is plenty of data that is collected, including of course by the ABS, which is survey data which goes to people’s level of satisfaction with either services that they have received, their quality of life, the amenity of their local neighbourhood, their feeling of empowerment in the workplace,...things like that where it is not about things that you can see as easily, it is more about people’s perceptions.⁴⁹

4.41 While acknowledging the validity of collecting qualitative data, PM&C informed the Committee that collecting qualitative data is not cost effective:

The obvious thing to say about that is that those require intensive, expensive, nationally collected surveys in order to come up with an accurate representation of, if you like, the pattern of outcomes

49 Mr Hazlehurst, PM&C, *Committee Hansard*, Canberra, 16 September 2011, p. 33

across the country that one requires for administering a set of arrangements like this. For a particular one-off purpose we are talking about national data collections that have to be replicated over and over again...⁵⁰

4.42 The Committee questioned if the focus on facts and figures would blur the distinction between outputs and outcomes and inhibit the cultural transition needed to ensure the quality of the outcomes of the IGA FFR. PM&C held that quantitative data was the only means of measuring many outcomes and cited the example of reducing infant mortality where a figure indicates the quality of the outcome.⁵¹

4.43 To clarify the issue, PM&C used the example of the National Education Agreement where the emphasis is on measuring student results:

The sorts of measures in there are not measures of how many students receive X, Y and Z. ...They are actually measures of achievement of outcomes by those students. So...wherever possible, the desire has been to shift to those measures that are not to do with counting the number of things that have been delivered to people.⁵²

4.44 The Committee asked how to ensure that both qualitative and quantitative results were being considered in the analysis of data to guarantee that quality outcomes were being achieved. Treasury advised that the issue must be addressed when KPIs are being formulated at the beginning of the process:

You would expect these qualitative issues to be considered in the policy design up front and thought about in terms of the policy that is formulated and then looking to get an appropriate expression of the outcomes of that and then indicators to measure it.⁵³

4.45 The Committee's questioning on qualitative results related to the question of how to effectively assess the overall quality of outcomes in a sector. The Committee also questioned whether sectoral assessments alone were sufficient due to the large scale of the spending, and hence whether a more integrated measure or limited set of high level indicators of national outcomes might be needed. Members of the Committee asked the PC whether 'development' or 'wellbeing' indicators at a national level were

50 Mr Hazlehurst, PM&C, *Committee Hansard*, Canberra, 16 September 2011, p. 33.

51 Mr Perry, PM&C, *Committee Hansard*, Canberra, 16 September 2011, p. 34.

52 Mr Hazlehurst, PM&C, *Committee Hansard*, Canberra, 16 September 2011, p. 34.

53 Mr Robinson, Treasury, *Committee Hansard*, Canberra, 16 September 2011, p. 34.

being used to assess the outcomes for national funding agreements – such as the ABS’s program into Measures of Australia’s Progress – and whether data used for national funding agreements was being cross linked to these types of initiatives.

4.46 The PC told the Committee that it had not been requested to use this type of complementary measure of welfare. Further, the PC representative made a point of detail saying that he was cautious of using indices due to the complexities involved:

I know how to interpret a specific indicator. I know what the numerator and denominator were. I can work out the data quality issues and the context and I can make an informed assessment. When you start putting an index together, you have to be very careful because the debate then becomes about what is included in the index, what you left out of the index and how you weighted the different components of the index.⁵⁴

Improvements underway

4.47 The Committee is aware that, as with the implementation process, the performance reporting framework has been reviewed by the HoTs and the CRC and acknowledges that these bodies have made a number of recommendations to address the issues identified in this chapter. Additionally, witnesses drew the Committee’s attention to a range of improvements that are underway, including:

- *Conceptual Framework for Performance Reporting*;
- whole-of-government data integration project;
- CRC reports and recommendations; and
- Steering Committee for the Review of Government Service Provision analysis and reforms.

Conceptual Framework for Performance Reporting

4.48 The Queensland Government drew the Committee’s attention to the *Conceptual Framework for Performance Reporting* endorsed by COAG in

54 Mr McDonald, Steering Committee for the Review of Government Service Provision, PC, *Committee Hansard*, Canberra, 21 September 2011, p. 6.

February 2011 which provides a general guide for developing KPIs.⁵⁵ The guidelines set out clear steps to ensure KPIs are linked to objectives and outcomes, and are meaningful, timely and comparable.⁵⁶ The guidelines are to be used in conjunction with the IGA FFR and the Federal Finances Circular 2010/01, *Developing National Partnerships*.

Whole-of-government data integration project

4.49 The ABS advised the Committee that a whole-of-government data integration project has been established to facilitate the collection and comparability of data across the country.⁵⁷ The project has been initiated by portfolio secretaries and a governance board chaired by the Australian Statistician has been set up.⁵⁸

4.50 The ABS told the Committee that the project will allow all information held by Commonwealth agencies to be interrogated for statistical and research purposes.⁵⁹ However, the ABS assured the Committee that steps have been taken to ensure transparency and accountability, including legislative accountability:

It is high powered in terms of liberating the data for the sorts of purposes that...this committee is interested in, but it also has very strict controls around privacy and confidentiality. It can only be done for public benefit.⁶⁰

COAG Reform Council reports and recommendations

4.51 The CRC is the key accountability body for COAG under the IGA FFR and is tasked with reporting on performance for all National Agreements (NAs) and National Partnerships (NPs).⁶¹ The Committee was told that the CRC plays a 'pivotal role'⁶² in providing transparency and

55 Mr Ehrenberg, Queensland Treasury, *Committee Hansard*, Brisbane, 19 July 2011, p. 3.

56 Ministerial Council for Federal Financial Relations, 'Conceptual Framework for Performance Reporting', <http://www.federalfinancialrelations.gov.au/content/performance_reporting/conceptual_framework_performance_reporting_feb_11.pdf> viewed 23 November 2011.

57 Mr McColl, ABS, *Committee Hansard*, Canberra, 16 September 2011, p. 1.

58 Mr McColl, ABS, *Committee Hansard*, Canberra, 16 September 2011, pp. 1-2.

59 Mr McColl, ABS, *Committee Hansard*, Canberra, 16 September 2011, p. 1.

60 Mr McColl, ABS, *Committee Hansard*, Canberra, 16 September 2011, p. 1.

61 COAG, *Intergovernmental Agreement on Federal Financial Relations* (2008), COAG <http://www.coag.gov.au/intergov_agreements/federal_financial_relations/docs/IGA_federal_financial_relations.pdf> viewed 23 November 2011.

62 Business Council of Australia (BCA), *Submission 9*, p. 4; Associate Professor Twomey, *Committee Hansard*, Sydney, 19 August 2011, p. 11.

accountability for the COAG reform agenda. The Queensland Auditor-General spoke of the 'rigour' that the CRC is bringing to performance reporting.⁶³

- 4.52 In its second annual report on the reform agenda, the CRC found that overall performance reporting is improving and is simpler, standardised, and more transparent.⁶⁴ However, the CRC continues to be concerned over data quality including 'data availability, comparability, timeliness, frequency of collection, accuracy and the ability to disaggregate data'.⁶⁵ The CRC has recommended that these issues must be addressed, particularly with regard to NPs.⁶⁶
- 4.53 Questioned on the seeming slowness of reform with regard to the performance reporting framework and data quality and collection, the CRC cautioned that reform in this area takes time.⁶⁷ The CRC said that data development is complex and expensive, explaining that service delivery data, drawn from administrative data, is essential for monitoring NAs.⁶⁸ Administrative data is largely collected by state and territory governments and changes and improvements involve considerable negotiation:
- ...[administrative data systems] were set in place at the state level for the state government's purposes or even for the service providers' purposes, and you are trying to aggregate administrative data not only to, say, the school system of a jurisdiction but then to jurisdictions across Australia so that it is comparable. It takes a long time to agree how they are going to define certain indicators and how they are going to collect the data. It changes computer systems. It changes administrative systems.⁶⁹
- 4.54 The Business Council of Australia (BCA) was critical of COAG's slow response rate to CRC reports and recommendations.⁷⁰ The Committee asked the CRC if its recommendations were being responded to in a timely manner by COAG. The CRC assured the Committee that COAG is
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63 Mr Poole, *Committee Hansard*, Brisbane, 19 July 2011, p. 15; see also Mr McPhee, ANAO, *Committee Hansard*, Canberra, 24 June 2011, p. 4.

64 CRC, *COAG reform agenda: Report on progress 2011*, p. 27.

65 CRC, *COAG reform agenda: Report on progress 2011*, p. 35.

66 CRC, *COAG reform agenda: Report on progress 2011*, p. 43.

67 Ms O'Loughlin, *Committee Hansard*, 6 July 2011, p. 3.

68 Ms O'Loughlin, *Committee Hansard*, 6 July 2011, pp. 3–4.

69 Ms O'Loughlin, *Committee Hansard*, 6 July 2011, p. 4.

70 Business Council of Australia (BCA), *Submission 9*, p. 4.

taking action on its recommendations.⁷¹ The CRC advised the Committee that many of its recommendations have been simple reforms not requiring COAG approval and have been directly taken up by data development committees across jurisdictions.⁷²

4.55 The CRC informed the Committee that, in response to a range of recommendations concerning the performance reporting framework from the CRC and others, COAG had initiated the Heads of Treasuries Review (HoTs Review). More recently, COAG has announced a review to specifically assess the performance framework of each individual NA 'to ensure progress is measured and all jurisdictions are clearly accountable to the public and COAG for their efforts'.⁷³ The *Conceptual Framework for Performance Reporting*, mentioned earlier, details the process to be followed for this review. The Committee asked what timeframe was in place for this review and was told that the review will be completed by the middle of 2012.⁷⁴

4.56 The Treasury (Treasury) and PM&C updated the Committee on the progress of this review. The performance framework for each agreement is being examined to ensure that there are clear links between outcomes and indicators and that indicators are sound:

...ensuring that there is no ambiguity in indicators in how they relate to the outcomes so that from the lay person's or public's point of view there is a clear understanding; if you have an indicator, if you see a movement or change in the data over time, you know what that is trying to measure...⁷⁵

4.57 Treasury told the Committee data is being reviewed to ensure its veracity and frequency and that it is measureable over time.⁷⁶ Treasury advised that gaps in data are being identified and the opportunity taken to assess whether or not such data can be collected cost effectively:

If there is an absence of data in an area, you need to look at the benefit of the data being captured versus the cost of actually doing it.⁷⁷

71 Ms O'Loughlin, *Committee Hansard*, 6 July 2011, p. 7.

72 Ms O'Loughlin, *Committee Hansard*, 6 July 2011, p. 5.

73 Ms O'Loughlin, *Committee Hansard*, 6 July 2011, p. 2-3; CRC, *Submission 11*, p. 1.

74 Ms O'Loughlin, *Committee Hansard*, 6 July 2011, p. 5.

75 Mr Robinson, Treasury, *Committee Hansard*, 16 September 2011, p. 28.

76 Mr Robinson, Treasury, *Committee Hansard*, 16 September 2011, p. 28.

77 Mr Robinson, Treasury, *Committee Hansard*, 16 September 2011, p. 28.

4.58 In its submission to the Committee, the Secretariat for the Steering Committee for the Review of Government Services elaborated on this principle explaining:

- the benefits of new data collections or improvements to collections and reporting must be reasonably expected to outweigh the associated costs to service providers, data agencies, reporting agencies and agencies required to respond to reports.⁷⁸

Steering Committee for the Review of Government Service Provision

4.59 Supported by a Secretariat within the Productivity Commission, the Steering Committee for the Review of Government Service Provision provides support to the CRC through a range of reports.⁷⁹ Specifically, under the IGA FFR, the Steering Committee collects and collates the performance data for all NAs, and a number of NPs, for the CRC.⁸⁰ The Secretariat advised the Committee that the Steering Committee also has a role in assessing the quality of data collected for performance reporting:

...the data providers provide a data quality statement according to the Australian Bureau of Statistics' data quality framework. The Steering Committee then summarises that information and adds some of its own commentary to that in what are called 'comments on data quality'.⁸¹

4.60 The Secretariat is optimistic that there is overall improvement in data systems including in the quality, availability and timeliness of data.⁸² The Secretariat identified both the HoTs Review and the current review of the performance framework of each individual NA as positive steps and told the Committee that a lot of work is being done at ground level to improve data quality.⁸³

78 Secretariat, Steering Committee for the Review of Government Service Provision, *Submission 18*, p. 2.

79 Mr McDonald, Steering Committee for the Review of Government Service Provision, PC, *Committee Hansard*, 21 September 2011, p. 1.

80 Mr McDonald, Steering Committee for the Review of Government Service Provision, PC, *Committee Hansard*, 21 September 2011, p. 1.

81 Mr McDonald, Steering Committee for the Review of Government Service Provision, PC, *Committee Hansard*, 21 September 2011, p. 1.

82 Mr McDonald, Steering Committee for the Review of Government Service Provision, PC, *Committee Hansard*, 21 September 2011, p. 3.

83 Mr McDonald, Steering Committee for the Review of Government Service Provision, PC, *Committee Hansard*, 21 September 2011, p. 3.

4.61 The Committee asked the Steering Committee Secretariat how advanced the improvement in data collection was. The Secretariat explained that improvement varies across the different areas covered by the NAs, depending on the specific problems associated with different types of data. For example, the National Indigenous Reform Agreement and the National Disability Agreement present inherent difficulties that will take some time to resolve. On the other hand, data quality and collection for the National Healthcare Agreement has made 'rapid progress' due to a concerted effort across jurisdictions:

That has come about through system changes at the jurisdiction level, where jurisdictions are doing things differently, and through significant changes by the main collector or manager of the health data, which is the Australian Institute of Health and Welfare. They have done a good job of making more data available more quickly.⁸⁴

4.62 The Committee asked if the work on improving data quality and collection is being undertaken formally and coordinated between the Commonwealth and state/territory governments. The Secretariat advised that the ABS and the Australian Institute of Health and Welfare, both national data agencies, were responsible for the data improvement process.⁸⁵

4.63 The Committee asked if there was a timeframe for completion of the improvement process and was told that the timeframe could vary depending on the type of work that was needed. For example, the Secretariat explained that the issues regarding data on homelessness for the National Affordable Housing Agreement presented conceptual problems that would need academic research:

...developing a new methodology for counting the homeless is an academic piece of work and it is taking academic time frames to be resolved. It is quite a difficult conceptual issue and you want it done right.⁸⁶

84 Mr McDonald, Steering Committee for the Review of Government Service Provision, PC, *Committee Hansard*, 21 September 2011, p. 5.

85 Mr McDonald, Steering Committee for the Review of Government Service Provision, PC, *Committee Hansard*, 21 September 2011, pp. 8-9.

86 Mr McDonald, Steering Committee for the Review of Government Service Provision, PC, *Committee Hansard*, 21 September 2011, p. 9.

Committee comment

- 4.64 Performance reporting is crucial to understanding the success or otherwise of COAG priorities and the IGA FFR itself. However, through the inquiry the Committee found that better performance reporting will require additional effort and sustained focus. For this to become a reality there will be a need to:
- drive cultural change;
 - clearly set objectives and outcomes, and develop valid key performance indicators;
 - collect data of a higher quality more quickly, while streamlining administrative burdens; and
 - ensure meaningful interpretation of the data that is collected.
- 4.65 Each of the above improvement points is discussed below.
- 4.66 Driving cultural change towards full adoption and implementation of the principles in the IGA FFR is critical to realising the potential benefits it promises. Achieving deep seated cultural change will require additional effort within the Australian Public Service (APS) and across the different levels of government. It will also require time and concerted effort. The Committee recognises that the IGA FFR is part of a broader shift in public sector management, with an emphasis on outcomes and enhanced accountability. Commitment will be needed to overcome entrenched practices which do not accommodate the fundamental principles of this new perspective on public administration.
- 4.67 The Committee is satisfied that the cultural change required is well understood within central agencies and that cultural change is underway. However, the evidence suggests that personnel on the ground in line departments and service delivery agencies have still not grasped, or at least have not fully adopted, the consequences of the change.
- 4.68 While the Committee accepts that cultural change will take time to filter down through the various layers of the bureaucracy, it believes that positive steps can be taken to encourage and support such change. The Committee notes that some steps are being taken with the development of Federal Finances Circulars and the *Conceptual Framework for Performance Reporting*. However, more can still be done.

- 4.69 The delivery of training to all staff involved in IGA FFR processes and performance reporting is a key additional step towards the cultural change needed.
- 4.70 The Committee therefore recommends that PM&C and the central agencies implement a structured approach to ensure that all relevant staff receive specific training to enhance their understanding of the framework and develop the skills required to meet performance reporting requirements. In addition to dedicated training, the Committee recommends that relevant broader APS training be amended to incorporate information on the IGA FFR. For example, training on the *Financial Management and Accountability Act 1997* and general public sector administration courses should reference and explain the importance of the IGA FFR and its principles. This is considered important to raise awareness of the IGA FFR to APS staff generally.
- 4.71 The Committee also recommends that the Commonwealth works to ensure that other jurisdictions implement a similar approach to training. Up-skilling only APS staff is insufficient; to realise the full benefits inherent in the IGA FFR state and territory officials will need equivalent skills and buy-in.
- 4.72 The Committee considers it essential that clear objectives and outcomes for national funding agreements be negotiated, agreed and documented – and that these are supported by valid key performance indicators. The Committee believes that the apparent lack of clarity surrounding outcomes for different agreements is seriously undermining the principles of the IGA FFR. If outcomes cannot be satisfactorily agreed and articulated in a way that provides sufficient clarity to all parties this suggests that the practicality of the principles of the IGA FFR may need to be reconsidered. However, this should not be interpreted to mean that every aspect of an agreement needs to be quantified or linked to a numerical KPI for the agreement to be meaningful. Agreement and clarity of outcomes is about mutual understanding of the end goal, not whether the end goal can be perfectly broken down into a long list of numerical KPIs.
- 4.73 In this regard, the Committee stresses the need to ensure that serious consideration is given to the relevance of KPIs, and whether these KPIs are supported by existing data collections. The Committee notes that the *Conceptual Framework for Performance Reporting* is being used to streamline KPIs with the aim of ensuring that KPIs are measureable, relevant and directly related to outcomes. The Committee understands that this review is well underway and that it will rationalise and simplify KPIs. The

Committee considers that this exercise is critical to address the concerns raised over the proliferation and meaningfulness of indicators.

- 4.74 Despite a potentially improved set of KPIs, the Committee remains concerned at the ongoing problems with data quality and collection. In many instances data needs to be collected, compiled and analysed more quickly than is currently the case. In instances where data is not currently collected, consideration must be given to the allocation of funds to support its collection. If there is no data available to measure a KPI and collecting the necessary data would not be cost effective, the KPI should be removed or amended.
- 4.75 Regarding the reporting burden, national funding agreements should seek to streamline reporting requirements and consolidate data collections wherever possible. In essence, the goal should be easier data collection with fewer 'survey' forms. Although the Committee is aware that various attempts are underway to improve data collection approaches, it was not clear that enough work had been done towards the 'single report to multiple agencies' ideal, or towards compiling core data sets for key national priorities.
- 4.76 The benefits of moving towards the 'single report to multiple agencies' ideal are obvious, including minimising the need to reconfigure and repackage the data collected for each respective reporting requirement. The Committee also sees potential benefit in developing a core set of standard data requirements for all reporting which include key areas of national interest such as indigenous affairs and provision of services to low socio economic status members of the public.
- 4.77 The Committee therefore recommends that PM&C, Finance and Treasury report back to the Committee on work undertaken to move towards the 'single report to multiple agencies' ideal and the potential to develop a core set of standard data requirements for key areas of national interest.
- 4.78 In this regard the Committee is particularly interested in the development of the whole-of-government data integration project and urges all jurisdictions to take whatever steps necessary to ensure it progresses expeditiously.
- 4.79 It is not sufficient just to collect data, it is necessary to ensure meaningful interpretation by decision makers and the community. The Committee is concerned that the proliferation of KPIs comes at the detriment of higher level measures or summary indicators that allow decision makers to meaningfully gauge ultimate outcomes. Despite some suggestions that sectoral or national level indicators (either single or multiple) are complex

to compile the Committee feels that it is important that a tangible set of indicators is available. The Committee therefore supports moves towards better links between national agreement reporting and complementary measures of national outcomes such as ABS's Measuring Australia's Progress initiative, even if further research is required to achieve this result.

- 4.80 Overall the Committee has identified a range of potential improvements to the performance reporting framework under the IGA FFR. The Committee acknowledges that there are many initiatives underway towards improvement, but is keen to see more action to bring these to fruition and ensure full implementation. The Committee notes that the CRC has already identified many of the problems examined in this chapter, however remains concerned at the slow response time by COAG to the CRC's reports and recommendations. The Committee recommends that COAG take steps to respond to the reports and recommendations of the CRC in a timelier manner.

Recommendation 5

- 4.81 **The Committee recommends that a structured approach be developed and implemented by the Department of the Prime Minister and Cabinet and other central agencies to ensure relevant staff receive specific training to enhance understanding of the Intergovernmental Agreement on Federal Financial Relations and develop the skills required to meet outcomes focused performance reporting requirements.**

Recommendation 6

- 4.82 **The Committee recommends that the Department of the Prime Minister and Cabinet, in consultation with other central agencies, establish processes to ensure that there is clarity of the outcomes to be achieved and these are clearly reflected in national funding agreements. The committee asserts that to underpin the achievement of outcomes, mutual understanding of the end goal must drive the cultural change, the training and skill development, and the quality and timeliness of data collection and publication. At all times, outcomes should be the focus in the development of all national agreements.**

Recommendation 7

- 4.83 The Committee recommends that the Department of the Prime Minister and Cabinet, in collaboration with agencies such as the Australian Public Service Commission, should lead a process to provide training across the broader Australian Public Service which incorporates information on the Intergovernmental Agreement on Federal Financial Relations to explain the importance of the Agreement and its principles.

Recommendation 8

- 4.84 The Committee recommends that the Commonwealth works through the Council of Australian Governments to ensure that states and territories develop and implement a similarly structured approach to foster cultural change throughout departments and agencies and ensure all staff receive relevant training to enhance understanding of the framework and develop the skills required to meet outcomes focused performance reporting requirements.

Recommendation 9

- 4.85 The Committee recommends that the Department of the Prime Minister and Cabinet and central agencies report back to the Committee within six months on work undertaken to move towards the 'single report to multiple agencies' ideal and the potential to develop a core set of standard data requirements for key areas of national interest.

Recommendation 10

- 4.86 The Committee recommends that the Prime Minister through the Council of Australian Governments, take steps to respond to the reports and recommendations of the Council of Australian Governments Reform Council within three months.