

Outcomes and Outputs: Are We Managing Better as a Result?

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Introduction

Managing programme performance in the public sector has always been a challenge, because results are not measured in dollars alone, and even experts can disagree on the key measures to measure the effectiveness of government programmes.

And yet it is important that we continue the search and research to measure the effectiveness of government programmes, and how they may be better targeted to achieve the outcomes expected by government.

Taxpayers expect their governments to deliver value for money, and governments in turn are entitled to the best advice they can get from the public service on policy and delivery options, and on programme performance.

It is common approach worldwide for governments to express the range of programmes delivered in the context of a generic framework. At the level of Australian Government administration, the framework focuses on outputs and outcomes, and this has evolved from the programme management and budgeting approach of the start of the reform era in the early 1980s.

As in other countries¹ our reform agenda has had more than one goal:

- making savings in expenditure;
- improving the quality of services;
- making the operations of government more efficient;
- increasing the chances that policies which are chosen and implemented will be effective; and
- enhancing the transparency of government operations.

My focus today is on the contribution of the outcomes and outputs framework to long term and sustainable effectiveness of public services.

Outcomes – Output Framework

The purpose of the outcomes and output framework is to provide government and Parliament with information on:

- the impact that the goods and services purchased are expected to have in terms of government policy goals;
- what was being purchased with public money;
- the link between public services and the expected impact; and
- the accountabilities for performance achieved.

¹ See Pollitt & Bouckaert – *Public Management Reform – A Comparative Analysis*, Second Edition 2004

This framework was intended to shift the focus from inputs to an orientation to results. This allows for better information for decision-making by government, but also assists Parliament in its scrutiny of government programmes and performance.

In May 2004 there were 199 outcomes and 145 agencies. It is of interest that around one third of both outcomes and agencies were concentrated in the Attorney General's, Communications IT and Arts, and Health and Ageing portfolios.

There is a clear international trend towards more emphasis on the results of spending as well as cost. For example, the UK's Public Service Agreements, New Zealand's Managing for Outcomes, Canada's Performance Reporting, USA's Government Performance and Results Act, and similar developments in the Netherlands and Nordic countries. Results-based budgeting is also a common feature of public sector reform strategies in Asia and Africa.

An OECD policy brief in October 2004 stated that,

“despite differences in approach, there are common trends in OECD countries' efforts to become more performance oriented.”

Approaches have varied between jurisdictions and countries but there is growing recognition that management needs quality information on all aspects of performance: outcomes, programmes, outputs, activities, processes and inputs and the relationships between them.

The Australian Government's outcomes and outputs framework places a strong emphasis on outcomes as the foundation for performance information. Outcomes are the results or consequences of government actions for the community or a specific target group. This emphasis has been a focus for performance measurement in central government for around two decades. The introduction of outputs as an explicit measure of service delivery to people outside an agency came in the late 1990s.

The early stages of implementation for the framework in the Australian Government differed from the approach taken in other countries and in some of our States. Many jurisdictions placed more emphasis on outputs and efficiency in the early stages of development. More recently, those jurisdictions have begun to place greater emphasis on outcomes and the relationship between outputs and outcomes.

There is no evidence to suggest that either approach is more effective in terms of embedding a performance culture. What is clear is that the initiative is unlikely to be effective if it does not include both outputs and outcomes as part of an integrated performance information and evaluation framework.

It is also important that performance information is used for decision making to embed it in the culture – at both government and agency levels. Indeed, there is more attention being given to culture and values today as a means of building a more responsive and effective public sector.

Success is mixed in relation to performance information. Annual appropriations in the Commonwealth are presented in terms of the outcomes for each agency. This allows Parliament to identify the results that the Government is working towards and how it proposes to allocate funds to contributing to those results. The information in appropriations is supported by a wealth of supporting detail in portfolio budget statements containing financial statement projections, performance measures and allocation of resources within agencies.

The relationship between outcomes and appropriations is interesting though. Only 9 percent of all appropriations were restricted to specific outcomes in 2003-04. 73 percent of appropriations were under special appropriations, defined by purpose and allocated to particular outcomes. 18 percent of appropriations were provided through departmental funding, which are only limited by agency even though information on notional attribution across outcomes is provided to Parliament.

In the Commonwealth there have been several reports over the last five years from Parliamentary committees, the Australian National Audit Office and the Department of Finance and Administration that have identified some areas needing improvement in current practice, particularly in the specification and measurement of outcomes. The ANAO concluded in its audit of Annual Performance Reporting² that,

“in order to provide accountability and transparency to parliamentarians and other stakeholders, agencies’ annual reporting frameworks need to be improved, particularly in relation to:

- *the specification of agencies influence on, and contribution to, shared outcomes;*
- *performance measures relating to quality and effectiveness/impact;*
- *the efficiency of agency operations and the cost effectiveness of outputs delivered; and*
- *targets or other basis for comparison.”*

Information on outputs tends to be much better than for outcomes. Performance measures are generally more appropriate and the methodology for measurement is generally more robust and reliable than for outcomes.

The Department of Finance and Administration (Finance) has done some recent work in reviewing outcomes. While still work in progress, it won't be surprising that some outcome statements are at a very high level, and do not identify a clear, specific result. Also, some outcomes statement are expressed as objectives, for example, “to contribute to...”, rather than explicit impacts, such as, “5 per cent increase in the number of successful (impacts) in 2005.” We do need to recognise, however, that there will be an element of cautious drafting in some of the outcome statements. Using ‘intermediate’ outcomes can often assist in measuring performance outcomes being sought in the longer term.

² Australian National Audit Office, *Annual Performance Reporting*, Audit Report No.11, 2003-04, 4 November 2003.

The influence of outcomes and outputs information on decision-making and resource allocation appears mixed. There is a standard requirement for lapsing measures to be subject to a review, which considers the results achieved. The positive take out is that agencies with specific performance measures have been able to provide useful information for budget planning and annual reports.

There are many examples of good practice, as illustrated in the Finance and ANAO Better Practice Guide on Performance Reporting In Annual Reports, published in 2004³. For example, Customs, Family and Community Services and the National Library of Australia provided very clear and useful performance information in their annual reports, which are illustrated in detail in the Better Practice Guide.

Good performance information can be extremely valuable for a variety of purposes, both internal and external to the agency, eg: knowing whether the programme is on track, knowing how well the programme is doing, knowing what needs to change and by how much, helping to plan next steps. At the same time, it is also clear that poor performance information is counterproductive. Not only is it unhelpful, but it can be misleading, costly, and create perverse incentives.

Some of the major problems in establishing good performance information are: quality of performance information in relation to agency contributions to outcomes; and the limited use of the reported performance information for policy decisions and resource allocation.

The ANAO audit of performance reporting in annual reports identified three areas where performance information needs to improve: specifying the agency's performance framework; measurement and data quality; and quality of reporting results. To that could be added use of performance information by decision-makers for policy development, refinement and resource allocation.

Using information in an accountability context is important, ie, if the performance information is not used, there is little reason to expect improvements in it.

Later this year Finance, in cooperation with agencies, is planning to review outcomes for all the general government sector agencies. The aim will be to ensure that outcomes information is consistent with the policy framework and appropriate to the needs of government and Parliament.

It is expected that as information in relation to any programme reaches sufficient quality to be of use in making decisions on outcomes, strategies and resource allocation, there will be even stronger demand for information on results.

Fortunately, we have the experience of a large number of agencies and jurisdictions to analyse in helping us to improve our performance with performance information.

³ Australian National Audit Office and Department of Finance and Administration, *Better Practice in Annual Performance Reporting*, 8 April 2004, prepared in response to a recommendation of the Joint Committee of Public Accounts and Audit in Report No 388, June 2002.

I am in no doubt that the prospect of having better information on results and performance will be of substantial benefit to managers, the government and other stakeholders.

At present we have some way to go before that benefit can be fully realised.

Finally, strategies to improve performance reporting need to be developed in sympathy with other Government and organisational strategies to be most effective. As set out in the Better Practice Guide on Performance Reporting in Annual Reports⁴ referred to previously:

“Organisations that have reliable performance information for both external requirements and internal management and review have achieved good performance reporting though some, or all, of the following strategies:

- *establishing a robust performance culture based on public sector values;*
- *maintaining strong links between reporting, planning and management; and*
- *ensuring strong links between external and internal reporting.”*

Conclusion

We have been on the reform road for more than 20 years now, and it still stretches into the future. Despite the changes we have observed, a clear articulation of outcomes and outputs, or programme objectives and deliverables, has been constant elements of the framework. There have been challenges in describing these elements, and in the related measure of effectiveness, and, to a lesser extent, efficiency.

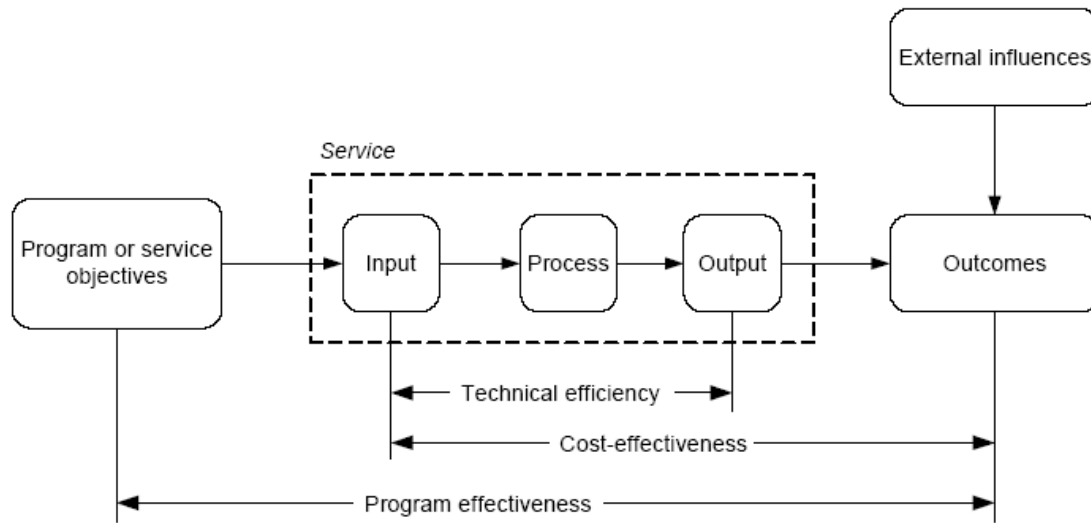
The chances of success are likely to be improved if:

- both outputs and outcomes are part of an integrated performance information and evaluation framework;
- the performance information is used for decision making by agencies and Government and scrutiny by Parliament;
- programmes, and related indicators of performance, are subject to periodic evaluation or review.

While essential elements of any public sector management framework, an outcomes and outputs approach, which provides a focus on results, needs to be supported by the other fundamentals for effective management, including appropriate governance, risk management and reporting.

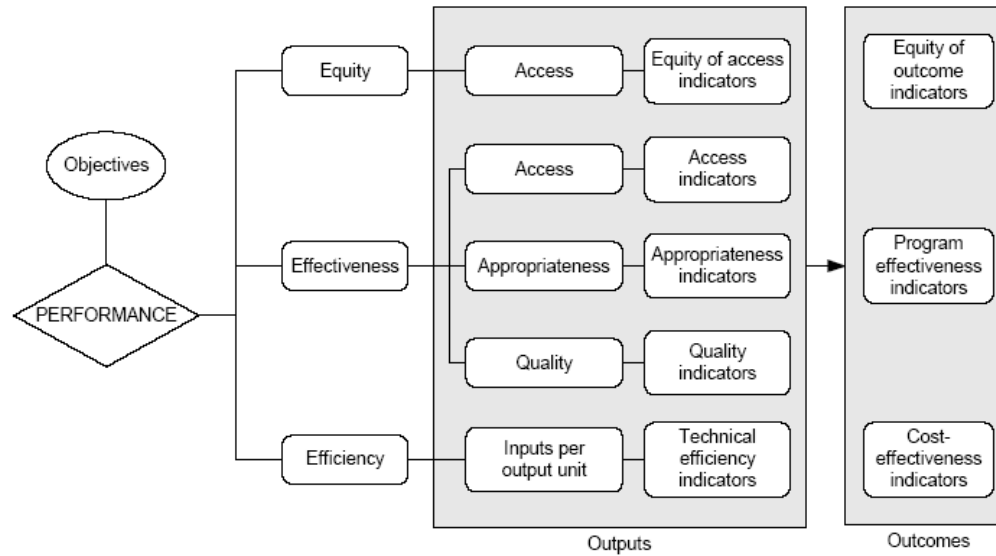
⁴ Ibid. p4

Service Process:



Source: Report on Government Services May 2005
Indigenous Compendium – Steering Committee for the Review of
Government Service Provision p. 12

A general framework and examples of performance indicators



Source: Report on Government Services May 2005
 Indigenous Compendium – Steering Committee for the
 Review of Government Service Provision p. 13