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Australia

by

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1. Introduction

The Commonwealth Government of Australia introduced an accrual-based outcomes and outputs budgeting and reporting framework in 1999-2000.

The framework seeks to focus public-sector decision-making and accountability on three core issues:

- *Outcomes*: What influence the government (of the day) wishes to have on the community;
- *Outputs and administered items*:¹ How the government wishes to achieve that influence; and
- *Performance indicators*: How the government and the community know whether that influence is being achieved in an efficient and effective way.

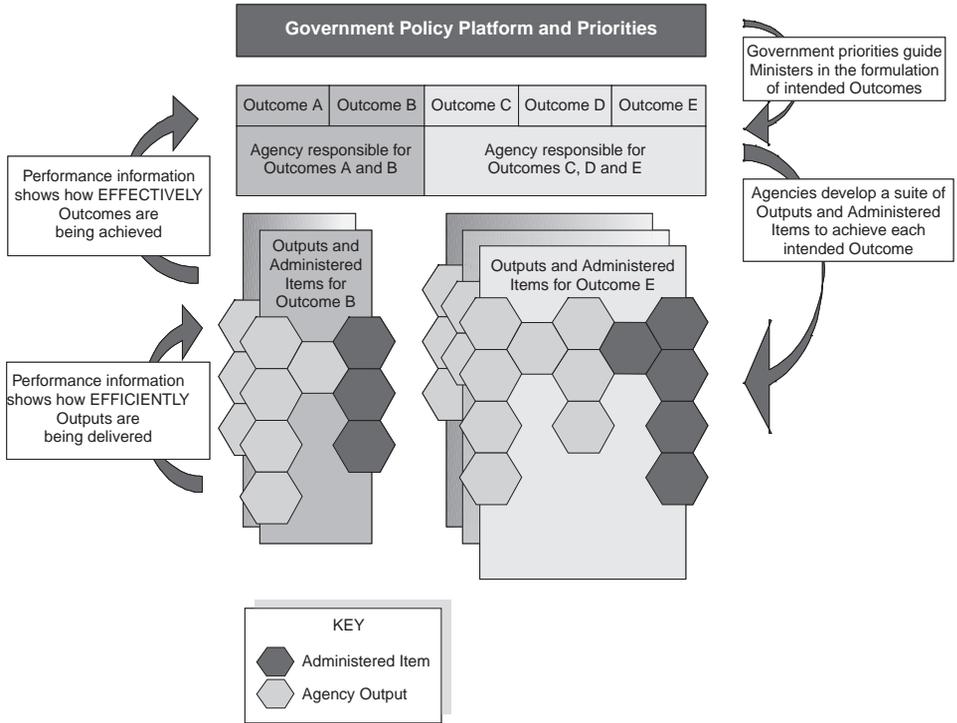
The importance placed on outcomes partly reflects the nature of Australia's federated system of government, which comprises three tiers – the Commonwealth, the states (and territories) and local government. Through its portfolios, the Commonwealth allocates funding to state governments for the delivery of certain services and infrastructure, particularly in the areas of education, health and transport. Whilst not directly responsible for third-party outputs, the Commonwealth is held jointly accountable for the results to which they contribute – outcomes.

The framework's emphasis on outcomes and outputs gives rise to a number of advantages:

- *Results focus*: The framework requires government to place greater emphasis on the results it seeks to achieve. Portfolio ministers must now articulate and specify the outcomes they seek in each policy area, and all agency

* Budget Frameworks Team, Budget Group, Department of Finance and Administration, Commonwealth Government of Australia.

Figure 1. Government Policy Platform and Priorities



outputs and administered items must demonstrably contribute to those outcomes.

- **Accountability:** With Outcome Statements defining the purpose of all agency activities and administered items, agencies are accountable for maximising their contribution to outcomes through efficient delivery of effective outputs.
- **Business-like footing:** Specification of outcomes and outputs enables government to purchase products and services from the public sector on a competitive basis, providing incentive for agencies to be responsive to government and to actively manage performance.
- **Transparency:** Specification of outcomes and outputs and reporting of financial and non-financial performance in accrual terms, provides stakeholders

with a transparent view of the Commonwealth's activities, expenditure and achievement.

Underpinning the framework is a deliberate emphasis on devolving responsibility for financial, performance and risk management to agencies, whilst providing sufficient flexibility to enable them to contribute to outcomes in the most effective and efficient manner.

This report provides an account of Australia's progress in implementing its outcomes and outputs framework, and outlines its approach to:

- specifying outcome goals;
- using outcome goals in managing the public service;
- using outcome goals in the allocation of resources; and
- managing performance and risk in relation to the achievement of outcome goals.

2. History

Australian budgeting and reporting has undergone significant changes both recently and throughout the past two decades. The evolution of the Australian financial management framework has provided a shift in focus from a cash-based snapshot view of government finances to a medium-term, fully accrual-based view.

Prior to the 1980s, the central component of the expenditure control framework was a system of rolling three-year forward estimates of budget outlays. These were the responsibility of the former Department of Finance in consultation with other departments and agencies. These estimates recorded the level of expenditure proposed by the government for future years but did not include any provision for new policies or discretionary changes to policy.

In the 1980s and early 1990s, there was growing acknowledgement that a cash- and input-based resource management system was inadequate. In moves to obtain more informative, complete and accurate financial information, departments were required to report on an accrual basis from 30 June 1995. This requirement had been phased in over a three-year period. The Commonwealth trialed whole-of-government reports for the 1994-95 and 1995-96 financial years.

3. Progress to date

The Australian Government made a commitment to move to accrual budgeting in 1996. Parliament had long expressed a desire to move to accrual-based accounting, budgeting and reporting. The need for a more transparent and accurate picture of government spending was recognised in the late 1970s and early 1980s. Accrual budgeting was designed to increase transparency by providing

Parliament and taxpayers with more information about the costs and performance of government at both the agency and whole-of-government levels. Australia is among one of the first countries to move to accrual budgeting. The move to accrual-based budgeting and the focus on outputs and outcomes builds on the reforms at the Commonwealth level and sharpens the focus on developing a performance culture in the public sector.

In April 1997, the government agreed to implement accrual-based budgeting, under an outcomes and outputs framework, for the 1999-2000 Commonwealth Budget. By November 1998, all ministers had approved the outcomes their portfolios would work towards, and the mix of outputs that would be used to contribute to those outcomes. In the first half of 1999, agencies assigned accrual-based prices to their outputs. The 1999-2000 Budget, tabled in May 1999, was the first to implement the full accrual-based outcomes and outputs framework, incorporating accrual budgeting and reporting. Annual Reports for the first accrual budget period have now been published and tabled in Parliament.

The Department of Finance and Administration has played a central role in overseeing the framework's design and introduction. This has involved developing broad policies and principles, and providing guidance and advice to agencies.

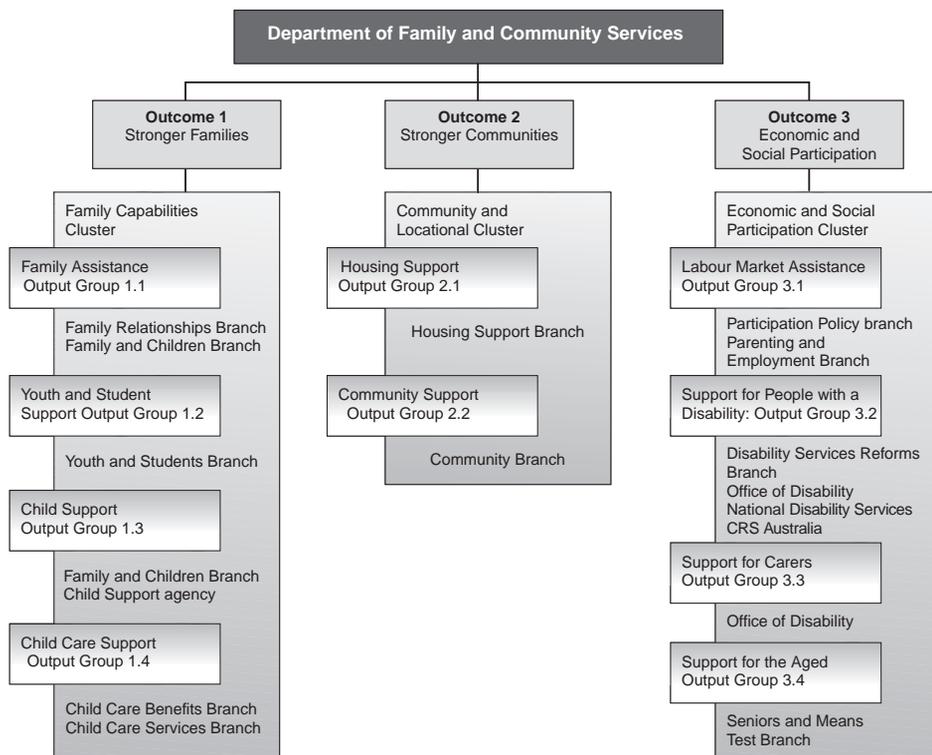
Full implementation of the framework is expected to be an iterative process, taking several years to complete. Current efforts are focusing on:

- refining the specification of Portfolio Outcome Statements, with an emphasis on optimising consistency across the Commonwealth;
- refining the specification of agency outputs to enable comparisons across the Commonwealth and with the private sector;
- improving the measurement of effectiveness and efficiency of agency outputs, including through the specification of targets;
- improving performance measurement of administered items; and
- continuing to encourage better financial, performance and risk management practices by agencies.

Within many agencies, there is much work being done to align organisational structures with output structures. Where this has been achieved, greater transparency has resulted and reporting for internal and external purposes has been enhanced.

An example of an agency that has aligned its organisational structure with its outcome and output structure is the Department of Family and Community Services. Figure 2 below does not include branches providing internal products and services that enable the department to deliver its outcomes and outputs.

Figure 2. Department of Family and Community Services



4. Specifying outcomes and outputs

Careful and considered specification of outcomes and output structures is critical to the success of the outcomes and outputs framework. Collectively, Outcome Statements articulate government's priorities and objectives, and therefore define the purpose of agencies. Outputs describe the manner in which agencies plan to contribute to the government's outcomes, and provide the basis for pricing agreements between government and agencies for the purchase of products and services. Together, outcomes and outputs are the basis on which performance is managed within agencies and scrutinised by external stakeholders.

During the planning and development of outcomes and outputs structures, it is important that agencies and ministers give careful consideration to each of

these issues, and that potential risks and performance issues are both identified and assessed.

4.1. Roles and responsibilities

The following provides an account of the roles and responsibilities of ministers, agencies and other stakeholders in the development of outcome and output specifications.

4.1.1. Specification of outcome statements

To develop the government's Outcome Statements, portfolio ministers work closely with their agencies. Consultation with stakeholders and client groups (including relevant Senate Committees) takes place, as may consultation with the Prime Minister and other ministers. Legal advice is also sought, as well as endorsement from the Minister for Finance and Administration who is responsible for the overall implementation of the framework. It is the portfolio minister's responsibility to ensure that the outcome statements relate to the government's policy priorities.

4.1.2. Specification of agency outputs

The design of agency outputs requires a less formal process, since agencies have the primary responsibility for their specification and delivery. In developing output structures, agencies consult with their portfolio minister as well as with major stakeholders – client groups, related agencies and relevant Senate Committees. It is the responsibility of the agency to ensure that the outputs relate directly to the achievement of the outcome. Agencies are encouraged to seek guidance from the Department of Finance and Administration; however, the final design requires the approval of the relevant portfolio minister only.

4.1.3. Specification of administered items

Administered items arise from legislation, inter-governmental agreements, contractual arrangements and other expressions of government policy. Agencies have no direct control over their design; however, agencies are required to describe their characteristics in Portfolio Budget Statements and Annual Reports in sufficient detail to enable scrutiny and informed judgements to be made on their contribution to intended outcomes.² The contribution of the administered item to the outcome needs to be clearly defined and supported by performance indicators. (See Figure 1.)

4.1.4. *Specification of performance indicators*

When specifying agency outputs and administered items, agencies are also responsible for specifying efficiency and effectiveness indicators. These enable stakeholders to make informed conclusions about agencies' performances, and may also form the basis of internal decision-making under the performance management component of the framework. In designing effectiveness and efficiency indicators, agencies are encouraged to consult with the Department of Finance and Administration and other stakeholders.

4.1.5. *Parliamentary oversight*

Whilst administrative oversight of the framework's implementation is being undertaken by the Minister for Finance and Administration and the Department of Finance and Administration, parliamentary oversight is being undertaken primarily by the Senate Legislation Committee on Finance and Public Administration.³ The Committee is expected to closely monitor changes in the structure and definitions of specified outcomes over time. Other Senate Legislation Committees are monitoring changes on a portfolio by portfolio basis.

4.2. **Outcome Statements**

To date, Outcome Statements have been developed within Commonwealth portfolios.⁴ This has resulted in some overlap between intended outcomes, which is currently being assessed. For example, it may be possible for cross-Portfolio Outcome Statements to be developed as part of a broader set of whole-of-government outcomes.

4.2.1. *Content*

Each Outcome Statement encapsulates the specific priorities of the elected government within a policy area, as they relate to the community as a whole or targeted groups within the community. For example, reflecting the policies of the current government (and its minister), the Employment, Workplace Relations and Small Business Portfolio's Outcome 1 for 2001-02 is "An efficient and equitable labour market that links people to jobs and promotes the transition from welfare to work" (see Section 3, Annex 1).

4.2.2. *Legality*

Because Parliament appropriates monies against portfolio outcomes, Outcome Statements must take into account legal considerations, in particular:

- Australia's Constitution requires the nature and purpose of Commonwealth appropriations to be explicit in Appropriation Bills. Outcome Statements need to be sufficiently detailed to serve this purpose.

4.2.3. *Specificity*

The framework mandates no particular level of specificity for Outcome Statements. In 1999-2000, the first year of implementation, the number of Outcome Statements per portfolio ranged from one to 10, and appropriations to individual outcomes ranged from AUD 271 000 to more than AUD 17.5 billion. Given the great variability of focus and responsibility across Commonwealth agencies, it is expected that outcome statements would be crafted with a range of specificity, reflecting the nature of each agency's business.

4.2.4. *Portfolio-wide versus agency-specific outcomes*

A complex issue is the trade-off between specifying portfolio-wide sets of outcomes and setting agency-specific outcomes. Portfolio-wide outcomes enable a more strategic outlook. Agencies working towards the same outcomes are better able to develop synergies, including through the use of purchaser-provider arrangements. The more common practice in the Commonwealth, however, is the use of agency-specific outcomes, which are relatively easier to specify where wide variations exist in the functions of agencies across a portfolio.

4.3. *Agency outputs and administered items*

Unlike Outcome Statements, formal specification of outputs and administered items is not part of the legislative requirements for Parliament's Appropriation Bills; however, the inclusion of agency output and administered item specifications is required for Portfolio Budget Statements and Annual Reports. This enables Parliament, ministers and external stakeholders to scrutinise how appropriated monies will be spent, and to judge how well expenditure is used.

In developing specifications, agencies must identify the outcomes to which each agency output and administered item will contribute.

4.3.1. *Agency outputs*

Outputs are the products and services agencies produce to contribute to outcomes. Requiring only approval of portfolio ministers, agencies are given flexibility to design the mix of outputs that will maximise the contribution to effective outcome delivery.

An output describes a discrete activity, or set of activities, performed by the agency. In determining output structures, agencies are encouraged to divide activities such that the final outputs specified facilitate comparison with outputs of other agencies and potential providers.

In 2001-02, the number of outputs per agency ranged from one to 21, with an average below five. The co-ordinating agency within each portfolio is known as a

department – departments average about 10 outputs each. More than half of the Commonwealth's agencies have structured their outputs within output groups that reflect their major business lines.

4.3.2. *Administered items*

Whilst agencies have little direct control over the design of administered items, for the purposes of Portfolio Budget Statements and other related documentation, agencies are required to identify and report on the aspects of administered items that are likely to be considered important for policy efficacy and public accountability. This includes any specifications contained within legislation, inter-governmental agreements or government policy (refer to Sections 2 and 5, Annex 1).

4.4. *Ongoing review and development*

Following the initial budget under the new framework in 1999-2000, a number of portfolios oversaw modifications to agencies' outcomes and outputs structures. This is expected to continue but diminish, as agencies become more experienced and comfortable with the framework, and as new performance management provisions start to deliver results. Iterative changes at the agency and portfolio levels are expected to produce greater clarity and consistency across the Commonwealth (see Sections 1 and 5, Annex 1).

In the long-term, the flexibility of the outcomes and outputs framework will enable regular review of the government's Outcome Statements and agencies' output structures. Because they must reflect the priorities and objectives of the government at any given time, it would be appropriate for modifications to occur in the event of the election of a new government, government committing to new policy, and/or a shift in Australia's economic or international circumstances.

Changes to Outcome Statements or outputs structures are made as part of the budget process and documented in annual Appropriation Bills and Portfolio Budget Statements.

- Proposed modifications to Outcome Statements require endorsement from the Minister for Finance and Administration, who approves changes only if they will provide a substantial improvement that outweighs the value of preserving year-on-year comparability.
- As their design and structure are considered primarily a management issue, changes to an agency's outputs require the approval of the relevant portfolio minister only.

5. Management and administration

The framework, with its emphasis on devolved responsibility, has significant implications for management both within agencies and across the Commonwealth public service. Agencies have greater control over the disposition of resources used to deliver outputs contributing to the government's specified outcomes. The responsibility for financial, performance and risk management now rests with agencies, which are, for the first time, genuinely accountable for the results they produce.

Against this backdrop, specification of outcomes and agency outputs provides a clear, results-oriented framework for decision-making and reporting at both the agency and whole-of-government levels.

5.1. Management within agencies

The specification of outcomes and outputs provides agencies with a clear understanding of what is expected of them. Outcome Statements provide the equivalent of a mission statement outlining the priorities and purpose of each agency, from which strategy and corporate planning can be developed. In the day-to-day running of agencies, outcomes provide a framework for managing complexity and improving the quality and transparency of decision-making. Specification of output structures clarifies for managers and public servants what is to be delivered in order to meet government's requirements, and how those activities should be managed in a price-based, performance management environment.

5.1.1. Designing activity and organisational structures

Under the framework, portfolio ministers and agencies (through their chief executives) share the responsibility for maximising the government's contribution to outcomes. This emphasis on results provides impetus for management within agencies to carefully prioritise activities, focus organisational structures on the outputs that need to be delivered, and identify areas where outsourcing is appropriate.

5.1.2. Performance and risk management

The framework requires agencies to plan the price, quality and quantity aspects of the outputs they will deliver. Increasingly, effectiveness targets are also being specified. Because they are accountable for delivering to specification, there is now heightened emphasis on performance and risk management within agencies across the Commonwealth.

Many agencies are currently developing and improving information systems used by their organisations, and building internal capacity for using the informa-

tion generated to identify and diagnose risks and performance issues as they arise. In time, as these information systems are optimised, managers and external stakeholders will get a clear picture of:

- how their agencies perform in meeting planned targets;
- how their agencies' performances change over time; and
- how their agencies perform relative to other potential providers.

5.2. Administration of the public service

Implementation of the outcomes and outputs framework has changed the nature of interaction between government and agencies.

5.2.1. Transparency and accountability

The framework has increased transparency and accountability. There is transparent specification of the government's priorities and objectives. Outcome Statements explain the purpose of monies appropriated to agencies for outputs and administered items, and portfolio ministers and agencies are explicitly accountable for contributing to planned outcomes. At the operational level, agencies must specify the products and services they intend to deliver, and report on planned and actual performance using both efficiency and effectiveness indicators. This allows external scrutiny of their organisations and activities, and system-wide judgements to be made of the public service's general performance.

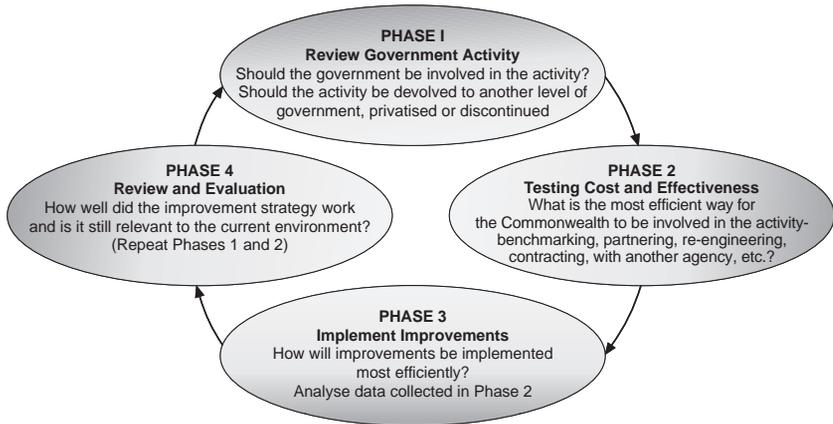
5.2.2. Agency responsiveness and competitive delivery of products and services

The framework enhances the public sector's responsiveness to government by facilitating more competitive delivery of products and services. Agencies are required to structure their activity in terms of outputs that will demonstrably contribute to outcomes, and to provide information that enables government to draw comparisons (benchmark) between different providers. This provides incentive for agencies to offer outputs especially tailored to government's needs and to meet acceptable price, quality and quantity criteria.

Benchmarking can be used to ensure that the price an agency charges the government for an output has been arrived at on a competitive basis. Benchmarking is the process of continuously comparing products, services and results with those of other organisations, and is used to achieve improvement through this systematic comparison with the performance of others. This process allows managers to identify costs and inefficiencies and assists in identifying potential areas of improvement. Benchmarking information is an important component in any decision by agencies on whether they should contract out or implement other performance improvement tools. Agencies can benchmark against each other if the activity does not have a market alternative.

6. The four phases of the competitive tendering and contracting cycle

Figure 3. Four phases of the competitive tendering and contracting cycle



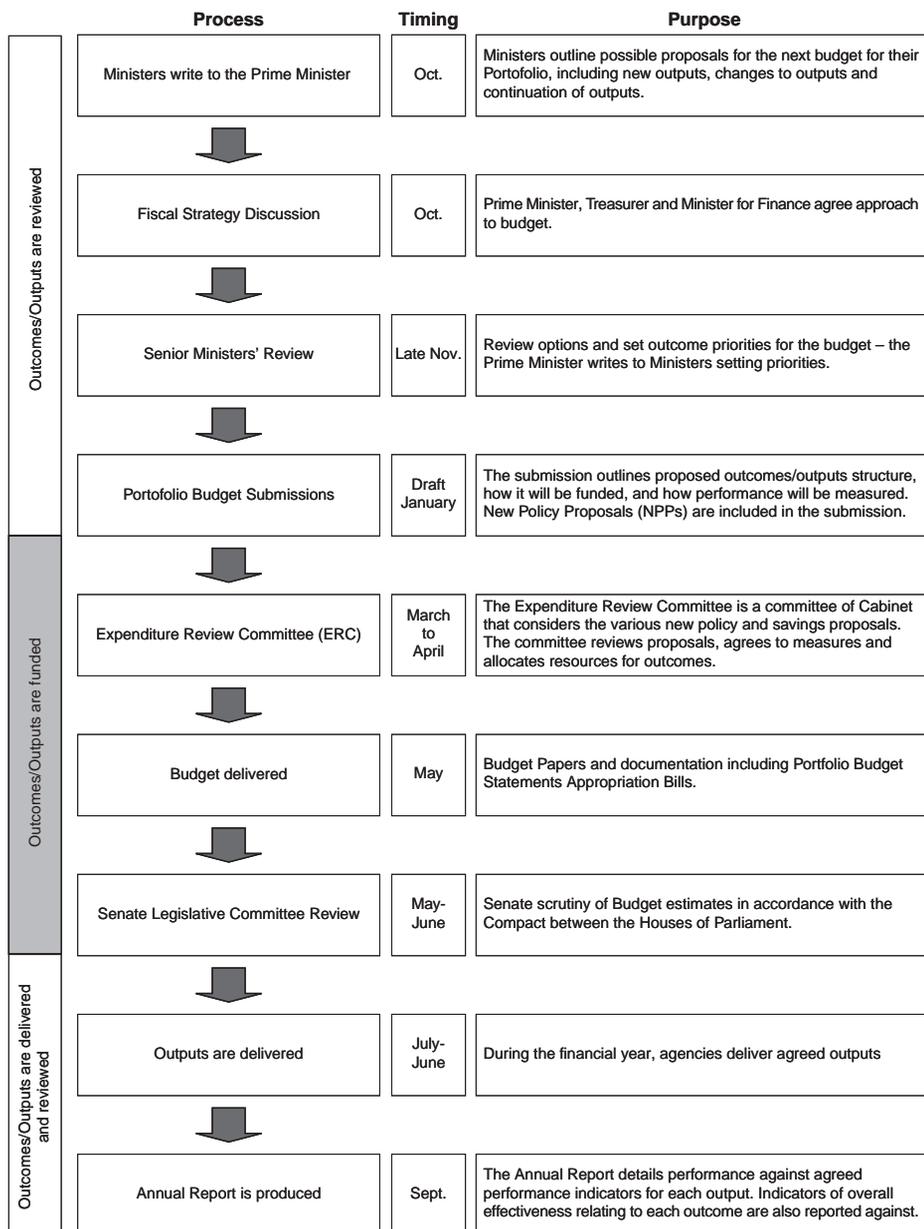
6.1. Government's strategic outlook

As the government's outcomes are refined, through gradual elimination of inconsistency and duplication, it is anticipated that there will be a strengthening in the strategic focus of portfolios and the Commonwealth as a whole. In time, the development of broad whole-of-government outcomes may serve to considerably enhance government's central decision-making, and the structuring of portfolios and the public service.

7. Budgeting and resource allocation

The outcomes and outputs framework enhances the reporting, transparency and effectiveness of the Commonwealth's budgeting process. Under the framework, appropriations are structured around outcomes, whilst Portfolio Budget Statements specify the price, quality and quantity of outputs agencies will deliver and the criteria they will use for demonstrating the contribution of agency outputs and administered items to outcomes. Annual Reports provide an *ex post* account of agencies' actual performance on the basis of these indicators.

Figure 4. The budget process



7.1. Appropriations by outcome

Under the Australian Constitution, monies can only be drawn from the Commonwealth's consolidated revenue fund⁵ if they are appropriated against an explicit purpose of the Commonwealth. Outcome Statements serve this purpose.

7.2. Pricing agencies' contribution to outcomes

The amount of funding appropriated represents the full price government intends to pay for agency outputs and administered items contributing to each outcome, subject to consideration by government's Expenditure Review Committee which comprises the Prime Minister and senior Cabinet Ministers. The Committee takes into account:

- portfolio budget submissions, in which portfolio ministers put forward proposals and estimates of funding required, and information on how the proposal will contribute to a planned outcome; and
- advice from the Department of Finance and Administration, the Department of Prime Minister and Cabinet and the Department of Treasury. This advice draws on performance information associated with agency outputs and administered items.

Based on the Expenditure Review Committee's recommendations, Cabinet makes the final decision on levels of funding that will be appropriated against each outcome, and the funding split that will be made between administered items and agency outputs. The allocation of funds to individual outputs is a management issue for agencies.

8. Performance evaluation

Performance evaluation is an integral component of the new framework. However, whilst many of the principles developed during Australia's history of public-sector evaluation are maintained, the responsibility for managing and reporting the performance of outputs and administered items now rests with the agencies.

The Commonwealth's rationale in devolving responsibility for performance management and reporting is that successful performance management requires agency managers to accept responsibility and accountability for results, and is most efficient when systems for internal and external reporting are integrated. To accommodate this change, the more rigid and formal aspects of the Commonwealth's former approach to evaluation have been replaced by a flexible, principles-based approach.

8.1. Performance management principles – Current Commonwealth thinking

Under the new framework, the Minister for Finance and Administration is responsible for maintaining a set of principles designed to encourage best-practice performance management and reporting, and to address the government's transparency and accountability needs. The principles were revised in May 2001 following extensive consultation.

The following represents the Commonwealth's current thinking on performance management and reporting as it relates to the *Outcomes and Outputs* framework:

- *Performance information*: Performance information must be structured in ways which show how an agency's outputs and administered items contribute to the achievement of the outcomes sought. Its purpose is to assist stakeholders and management to draw well-informed conclusions about performance in published and internal documentation, and to contribute to sound decision-making. Candour in disclosure and action on performance information will add to credibility.
- *External and internal reporting*: External reporting focuses on foreshadowing performance for a particular year through Portfolio Budget Statements and, within 18 months, reporting of actual performance for that year through annual reports. Internal reporting is more frequent for management purposes, including monitoring of outputs and administered items in-year. Where an agency's measures are aligned with employees' performance agreements, the performance measures can be used to provide feedback to staff on their contribution to the management of outputs and administered items.
- *Balance and clarity*: Performance information will be useful where it is pitched to provide a comprehensive and balanced coverage of a particular outcome, output or administered item through a concise basket of performance indicators which can be understood, are well-defined and are cost-effective to collect, store and manage. Performance information is most effective and meaningful where it is integrated with internal management processes and accountabilities within an agency, and can be utilised to meet external requirements.
- *Strategic focus of published information*: Published performance information provides a top-level strategic overview. It is a core set of information which meets external accountability needs, but also acts as an early warning to management of areas requiring attention. Published information should be supported by internal management information enabling diagnosis and continuous improvement.

- *Targets*: Performance information is most effective where current performance can be compared qualitatively or quantitatively against specific benchmarks, targets or activity levels, where appropriate. In a context of continuous improvement, it is desirable that targets be of a stretching nature where possible, with the extent of “stretch” identified explicitly.
- *Continuous improvement*: Performance reporting is most effective where trends can be compared over time. However, the reporting of agency outcomes and outputs and performance information structures, can be expected to evolve with experience, changing needs and the availability of more relevant or more reliable information. Performance information should be regularly assessed for appropriateness, including through systematic review and evaluation of agency outputs and administered items and, where necessary, of the government outcomes they support.

8.2. Performance indicators

The Commonwealth’s output and outcomes framework is designed to allow government to efficiently and transparently analyse performance at two levels:

- *Effectiveness*: The combined contribution of agency outputs and administered items to the government’s specified outcomes; and
- *Efficiency*: The quality, quantity and price of agency outputs and, where possible, administered items.

To facilitate this analysis, agencies are using effectiveness and efficiency indicators to provide both internal management and external stakeholders with objective information on the performance of agency outputs and administered items. These indicators enable decision-makers and stakeholders to identify trends and weaknesses at various levels of the public sector.

8.2.1. Effectiveness indicators

Ideally, when assessing the combined contribution of agency outputs and administered items to a specified outcome, an effectiveness indicator performs three tasks:

- it demonstrates progress being made in the achievement of the specified outcome, as articulated by the Outcome Statement, on the basis of information from independent sources;
- it identifies a causal link between the specified outcome and the contribution of agency outputs and administered items; and
- it determines the extent to which progress in achievement of the specified outcome is attributable to those agency outputs and administered items.

Ideal effectiveness indicators are often difficult to design. For example, establishing a causal link is often a very subjective exercise, particularly where agency outputs and administered items have only very indirect influences (for example, policy development). In such cases, it may be reasonable to call on results of performance audits and internal reviews or to use proxy or parallel indicators, whilst specifying accompanying assumptions and quantifying the level of uncertainty involved (see Sections 2, 4 and 5, Annex 1).

Depending on the complexity of issues contained within an Outcome Statement, agencies are encouraged to specify between two and six effectiveness indicators per outcome.

8.2.2. Efficiency indicators – Agency outputs

Efficiency indicators for agency outputs provide a set of quality, quantity and price parameters for each product or service delivered by an agency (see Section 4, Annex 1). In designing efficiency indicators, the aim is to provide a basis on which purchase arrangements between government and the agency can be specified, and to enable managers and external stakeholders to assess whether the agency has addressed government's purchase requirements.

- **Quality:** Under the framework, measures of quality relate to the characteristics of an output that are most relevant to clients, customers or stakeholders. These measures may be objective (for example, timeliness, frequency, geographical coverage, accuracy, conformity to specifications) or subjective and requiring interpretation (client satisfaction, peer review, public perception). For a given output, agencies are encouraged to specify two to five quality indicators.
- **Quantity:** Measures of quantity are often straightforward, particularly where the output relates to a reasonably homogeneous activity (for example, processing identical benefit claims). Where activities are not homogeneous (for example, policy development), an explanation may need to accompany the quantity indicator chosen. For each output, at least one indicator for quantity should be specified.
- **Price:** Price indicators reflect the combined influence of an output's cost of production (including overheads such as competitive neutrality charges raised by the Commonwealth), the relative efficiency of competing providers and the value placed on the output by government. A single indicator or price is sufficient for each output.

8.2.3. Efficiency indicators – Administrative items

Where possible, agencies are required to specify efficiency indicators for administered items that will aid management decision-making, future policy devel-

opment and public accountability. To the extent possible, agencies must address quality, quantity and price. This will depend on the level of detail provided in the legislation, inter-governmental agreements or other expressions of government policy from which the administered item arises (see Sections 2 and 5, Annex 1).

8.3. Performance management

Because there is now greater accountability for results amongst Commonwealth agencies, it is important that agency managers responsibly manage performance (and risk) within their organisations. This primarily requires sound information and reporting systems.

8.3.1. Information systems

Agencies throughout the Commonwealth are upgrading their information and accounting systems to incorporate effectiveness and efficiency indicators that will feed into internal and external performance reporting.

Measuring price of outputs requires the allocation of overhead and shared resource costs, and mapping of activities and processes. Accuracy in allocating costs to outputs is achieved through the use of accruals, which allows agencies to monitor financial flow at the time economic value is created, transformed, exchanged, transferred or extinguished in the production of an output. Accruals also enable agencies to manage the financial position of their organisations, including through the use of assets and liabilities information.

Performance information produced by internal information systems is providing agency managers with timely reporting on their organisations' progress in achieving the government's intended outcomes and delivering agency outputs at specified prices, quantities and levels of quality. Timely feedback on performance enables action to be taken by managers during the year to ensure their organisations are in the best position to meet the expectations of government and to undertake continuous improvement.

Over time, it is expected that agencies will become increasingly familiar with the framework and the opportunities it affords to examine and optimise agency performance and effectiveness.

8.3.2. Pricing reviews

In addition to internal information systems, an important tool being used to identify and assess the efficiency of agencies in delivering outputs is the use of pricing reviews. In co-operation with individual agencies, the Department of Finance and Administration has commenced a three-year rolling programme of evaluations for agencies throughout the Commonwealth. Each review aims to pro-

mote the development of costing and performance information systems by requiring agencies to demonstrate the price, quality and quantity parameters associated with their outputs. Reviews culminate in an agreed understanding of the price, quality and quantity the agencies will be expected to deliver and, in some instances, agencies' reallocation of resources across outputs.

Methodologies used in the pricing reviews range from Activity-Based Costing to market testing and benchmarking. To facilitate benchmarking, the Department of Finance and Administration has developed a suite of diagnostic questionnaires and is establishing a database to support the collection and evaluation of international performance and price information. Additionally, several agencies have arranged to benchmark bilaterally with similar organisations both locally and overseas.

8.4. Performance reporting

Under the framework, external performance reporting requirements enable government and other stakeholders to monitor agencies' success in managing performance. Performance management must be undertaken in a transparent way. The main vehicles for agencies to externally report on planned and actual performance against outcomes and outputs are:

- Portfolio Budget Statements; and
- Annual Reports.

Portfolio Budget Statements identify each agency's plans for the coming budget year, while Annual Reports detail the degree to which those plans have been realised and the efficiency of agency outputs and administered items used to achieve this. In preparing the two documents, agencies are required to enable a clear read between planning information and actual performance.

Agencies are also answerable to Senate Committees. Senate Estimates Hearings, for example, enable Senators to inquire into how efficiently agencies are performing. Agencies are increasingly using information from their performance management systems to provide evidence of their achievement in contributing to the government's specified outcomes and in delivering outputs to specification.

9. Risk management

Risk management is an underlying theme in the performance and accountability aspects of the framework. In parallel with the outcomes and outputs framework, the Department of Finance and Administration is working to encourage a culture of risk management throughout the Commonwealth, consistent with the devolution of management responsibilities and the framework's requirement that agencies be accountable for their contributions to outcomes.

Agencies are responsible for reporting the Commonwealth's progress in achieving outcomes, and managers within agencies are accountable for averting and mitigating the risk that their outputs will not contribute to intended outcomes to the extent specified in Portfolio Budget Statements. To enable agencies to meet these requirements, through its "Comcover" division, the Department of Finance and Administration provides a central point where managers can obtain professional assistance and advice on identifying and assessing risk exposures, and developing organisational risk management strategies. Shifting agencies from a culture of risk aversion to one of active risk management is an important part of optimising performance across the Commonwealth.

On a broader level, risk management is built into the framework itself. Outcome risks are identified when agencies and ministers develop their outcome structures. Stakeholders are consulted, and risks that may prevent the achievement of outcomes are assessed. In addition to external reporting of the Commonwealth's progress in achieving outcomes, scrutiny in the form of Senate Estimates Hearings provides an opportunity for Parliament to actively probe the risks likely to prevent achievement of the government's outcomes.

10. Enabling legislation

The accrual framework is supported by three key pieces of legislation. These are the *Commonwealth Authorities and Companies Act 1997* (CAC Act,) *the Financial Management and Accountability Act* (FMA Act) and the *Charter of Budget Honesty Act 1998* (the Charter). The legislation provides a comprehensive corporate governance, accountability, financial and auditing framework for Commonwealth authorities, companies and agencies. They sharpen accountability and emphasise performance and propriety. They establish a clear focus on outputs and their links to outcomes and enhance performance reporting.

The *Commonwealth Authorities and Companies Act 1997* (CAC Act) establishes a single set of core requirements with respect to the financial, audit, corporate governance and accountability arrangements applicable to entities that are financially and legally separate from the Commonwealth. Commonwealth authorities, for the purposes of the act, are statutory authorities that are corporate bodies and hold money on their own account. The requirements of the act relating to Commonwealth authorities apply in addition to the requirements of their enabling legislation. Commonwealth companies are companies that are controlled by the Commonwealth. The requirements relating to Commonwealth companies apply in addition to the requirements of the Corporations Law.

Agencies that comprise the legal entity of "The Commonwealth" are subject to the *Financial Management and Accountability Act 1997* (FMA Act). The FMA Act is concerned with the regulatory, accounting and accountability framework for dealing

with and managing the money and property of the Commonwealth. This act specifies the responsibilities and powers of the Finance Minister in the traditional role of custodian of the “ Treasury of the Commonwealth” and also the responsibilities and powers of the Chief Executive of Agencies for efficient, effective and ethical management of resources.

In support of the government's commitment to the implementation of the accrual budgeting framework the government's Charter of Budget Honesty was enabled as legislation in 1998. The *Charter of Budget Honesty Act 1998* (the Charter) aims to ensure that the Executive government remains accountable and transparent to the Parliament and to the public in the budgeting process. The Charter requires the government to set out its fiscal policy objectives and strategy, based on principles of sound fiscal management specified in the Charter, and stipulates requirements for fiscal reporting. Some of the specific requirements of the Charter include the public release of the government's fiscal strategy statement and economic and fiscal outlook report with each budget. In addition, the government is bound to publicly issue a mid-year economic and fiscal outlook and a final budget outcome report is due to be released within three months of the end of the fiscal year.

11. Conclusion

At the time this article was finalised, the Commonwealth's outcomes and outputs framework had completed its first full cycle – agencies' 1999-2000 Annual Reports were tabled in Parliament in September 2000.

Implementation of the framework has been a complex task requiring extensive planning and effort on the part of the government as a whole, and within agencies. The most difficult challenge has been accommodating many different organisational structures and cultures within the one framework. In many instances, the process of organisational transition to the framework continues to be a multifaceted and intricate task.

Post-implementation reviews have suggested that it will take several years before the full benefits of the new framework will be realised. However, there is strong recognition that the outcomes and outputs framework is already making contributions to improving transparency and accountability, and enhancing the efficient delivery of products and services which meet the needs of government.

Notes

1. In the management of Commonwealth resources, a distinction is made between activities controlled by agencies (agency outputs), and resources agencies administer on behalf of the government (administered items). Administered items include grants, subsidies, benefits and funding for outputs delivered by state governments. They comprise around 80% of the Commonwealth Budget.
2. The terms “planned outcomes” and “intended outcomes” are used interchangeably in other documents.
3. Under Australia’s parliamentary system, government is formed in the House of Representatives, whilst the House of the Senate scrutinises and approves bills from the Lower House. Senate Committees are formed to scrutinise the activities and expenditure of the government in each portfolio. The committees comprise Senators from the various political parties, supported by a secretariat. Because membership is not restricted to Senators from the governing party, committee hearings provide an opportunity for the Opposition and minor parties to actively probe and question the performance of the government and public service.
4. Commonwealth portfolios refer to the portfolio assigned to Cabinet Ministers. Each portfolio may contain one or more agencies. An example is the Foreign Affairs and Trade Portfolio. The agencies that constitute this portfolio are the Department of Foreign Affairs and Trade, the Australian Trade Commission, the Australian Agency for International Development, the Australian Secret Intelligence Service and the Australian Centre for International Agricultural Research. The makeup of portfolios may change over time as agencies are moved between portfolios or new agencies are created.
5. Consolidated Revenue Fund (CRF) - This is the principal working fund of the Commonwealth and is mainly financed by taxation, fees and other current receipts. Section 83 of the Constitution requires an appropriation of monies by the Parliament before any expenditure can be made from the CRF.

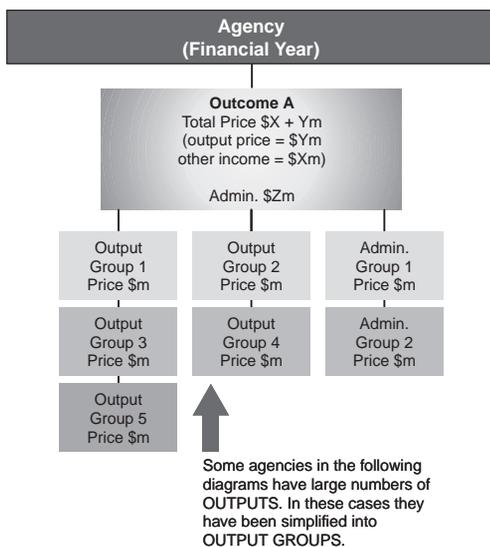
Annex I

Case Studies

The Commonwealth is made up of a diverse range of agencies, many of which undertake quite unique activities. To accommodate this diversity, a key feature of the outcomes and outputs framework is the flexibility afforded to agencies in their implementation of it. The following case studies are examples of different ways in which outcomes and outputs structures have been implemented. Portfolio Budget Statements for all Australian portfolios are available via: www.budget.gov.au

1. Australian Federal Police

Key to Agency Diagrams



The Australian Federal Police (AFP) is an example of an operationally oriented agency working to the intended outcomes. Located within the Attorney General's portfolio, the AFP's role is to enforce Commonwealth criminal law and to protect Commonwealth and national

interests from crime in Australia and overseas. The AFP is also Australia's international law enforcement and policing representative, and provides advice to government on policing issues.

In 2001-02, AFP resources are focused on two outcomes:

1. The investigation and prevention of crime against the Commonwealth, and the protection of Commonwealth interests in Australia and overseas.
2. Policing activity creates a safe and secure environment in the Australian Capital Territory.

The first outcome focuses on the Commonwealth's role in criminal and protective matters, while the second reflects the community policing services that the AFP provides to the Australian Capital Territory Government for an agreed fee (in the 2001-02 Budget, the Commonwealth made no appropriation against Outcome 2).

Changes

In 1999-2000, the AFP had been working to five outcomes, which reflect the organisation's previous programme structures:

1. Criminal activity is deterred in areas impacting on the Commonwealth Government's interests.
2. Those individuals and interests identified by the Commonwealth Government of the AFP as being at risk are kept safe and secure as a result of AFP protective services.
3. Policing activity creates a safer and more secure environment in the ACT, Jervis Bay and Australia's external territories.
4. The Commonwealth Government contributes effectively to international law enforcement interests.
5. Community confidence in the honesty, effectiveness and accountability of the AFP is high.

This activity-based outcome structure, which was accompanied by 19 output groups, proved complicated for internal management and external accountability purposes. The move in 2000-01 to a two-outcome structure was considered more consistent with the business and accountability requirements that the AFP has to meet in servicing the Commonwealth and ACT Governments. It is likely that the simpler outcomes structure will enhance external reporting and scrutiny processes by the federal Parliament and the ACT Assembly. The outcome and output structure identified in 2000-01 has been continued for 2001-02.

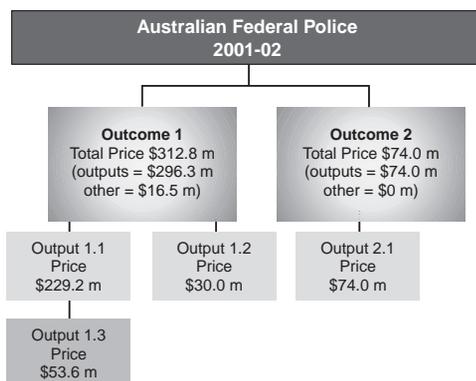
Agency outputs and efficiency

In 2001-02, the AFP specified three outputs that it will deliver in order to contribute to Outcome 1:

- *Investigation services:* The AFP investigates crime against the Commonwealth. Performance measures for this output include the proportion of cases reaching the courts, apprehensions, domestic illicit drug seizures, the value of fraud cases brought before the courts, and the restraint and recovery of the proceeds of crime. The AFP has in place an independently conducted survey of client satisfaction. A target of 65% of resources is to be employed in high/very high impact cases.
- *Protection services:* The AFP provides security services for diplomats, parliamentarians, witnesses, etc. Performance is measured in terms of the extent of prevention of

avoidable incidents, and the level of client satisfaction with AFP protection services. A target of 70% of the resources for this output is to be employed in high/very high impact cases.

- *International services:* The AFP contributes to international efforts to counteract and prevent criminal activity by facilitating international and regional law enforcement collaboration. Performance is measured in terms of the extent to which Commonwealth international obligations are met – for example, via internationally agreed indicators of Interpol activities and the results of overseas operations. Client satisfaction is measured through official feedback from the United Nations. A target of 65% of resources is to be employed in high/very high impact cases.



2. Department of Education, Training and Youth Affairs

The role of the Department of Education, Training and Youth Affairs (DETYA) is to support the government in meeting the education and training needs of the community, establish a national policy framework for school-level education, post-compulsory education and the transition between education and work, and improve access to education for disadvantaged groups.

In 2001-02, DETYA is working towards three outcomes:

1. School systems provide their students with high quality foundation skills and learning outcomes.
2. Post-school education and training providers assist individuals achieve relevant skills and learning outcomes for work and life.
3. Australian institutions advance the knowledge base, contribute to the national innovation system and participate effectively in the global development of knowledge and skills.

Agency outputs and administered items

The government's contribution to these outcomes is achieved largely through administered items. In 2001-02, DETYA is responsible for managing almost \$12 billion in administered items (around 98% of total appropriations to these outcomes). DETYA has structured its output groups around administered items targeting similar client groups and addressing similar community needs. This allows its reporting to focus on the administered items, in which Parliament and other external bodies are typically most interested. Under Outcome 1, there are three output groups:

- infrastructure funding for the schools system;
- assistance for school students with special needs; and
- enhance the quality of teaching and learning.

Generic

Under each output group, there are four core generic outputs:

- administration;
- policy advising;
- ministerial and parliamentary services; and
- research, analysis and evaluation.

DETYA's second output group under Outcome 1 also has a fifth generic output: Service delivery.

By defining generic outputs under each output group, DETYA is more likely to be able to manage across outputs in a consistent manner. It also enhances the scope for benchmarking and price comparisons within the department and with benchmarking partners.

Efficiency – Administered items

When reporting on performance, DETYA provides efficiency indicators (price, quality and quantity) for outputs and quality and quantity indicators for administered items. In the case of administered items used to fund infrastructure for the schools system, DETYA forecasts the following quantity targets in its 2001-02 Portfolio Budget Statements:

- number of funded enrolments (target – 3 306 295); and
- number of capital projects (target – 700).

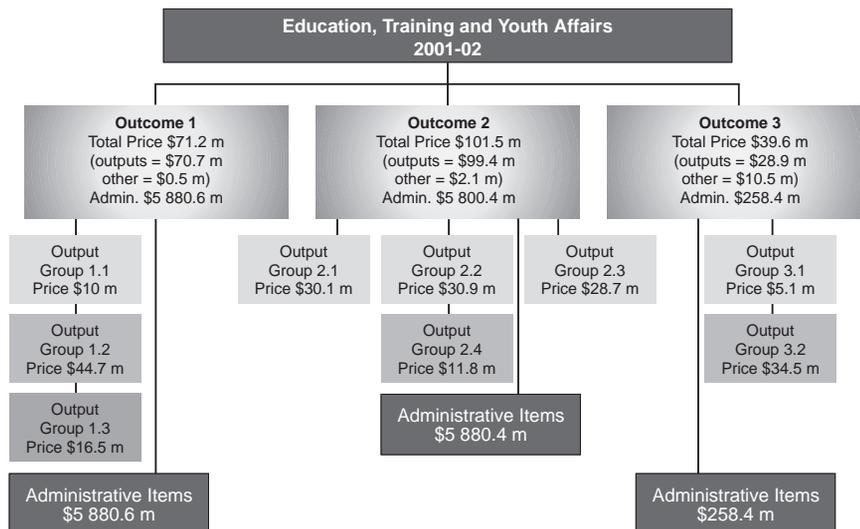
Effectiveness

Overall effectiveness in achieving Outcome 1 is measured in terms of a number of key indicators, including:

attainment of the nationally-agreed literacy and numeracy standards or benchmarks, an overall improvement in performance and a reduction in the gap between indigenous school students and the rest of the population;

- Year 12 retention rates of indigenous students and other students;
- trends in the destination of school leavers; and
- education attainment levels amongst the Australian population.

In specifying its performance indicators, DETYA highlights the need to take into account the level of influence that third parties (for example, state governments) and other factors (for example, economic) may have in the achievement of intended outcomes.



3. Department of Employment, Workplace Relations and Small Business

The role of the Department of Employment, Workplace Relations and Small Business (DEWRSB) is to support strong employment growth and the improved productive performance of Australian enterprises. This is achieved through development and implementation of various policy initiatives, programmes and support services.

The outcomes to which DEWRSB contributes, as indicated in its 2001-02 Portfolio Budget Statements, are:

1. An efficient and equitable labour market that links people to jobs and promotes the transition from welfare to work.
2. Flexible and fair workplace relations at the enterprise level.
3. An improved operating environment for small business.
4. Online access to government information and services relating to employment and business.

Changes

In 1999-2000, Outcome 1 was:

- improved performance of the labour market.

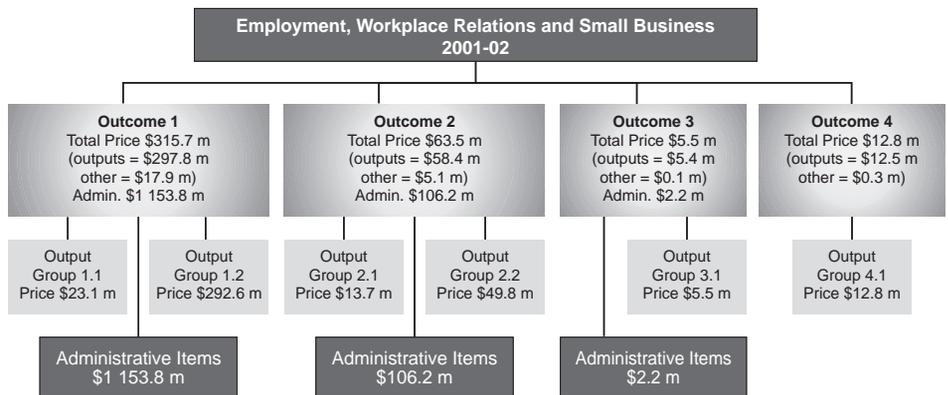
In its revised form, Outcome 1 is an example of an outcome that clearly articulates the priorities the current government wishes to emphasise, and is likely to assist agency managers in closely aligning their decision-making and delivery mechanisms to the government's agenda. In general terms, under Outcome 1, DEWRSB's key priorities are to:

- monitor and analyse the labour market closely to support policy development and improvement, and to enable early identification of changes in the labour market;
- contribute to, and support, the government's developing welfare reform agenda;
- improve the performance of contracted service providers through better relationship and contract management;
- maximise regional employment opportunities to support sustainable employment, regional growth and the enhancement of the skills base of regions through the Regional Assistance Programme, the Dairy Regional Assistance Programme and Area Consultative Committees;
- maximise employment outcomes for indigenous Australians through Job Network and continuing development of the indigenous Employment Programme;
- improve the timeliness and reliability of information flows between contracted service providers and the department through enhancements to information technology infrastructure; and
- improve the interaction between industrial and social safety nets.

Agency outputs and administered items

In DEWRSB's outcomes and outputs structure, these activities are represented by administered items (benefit payments, etc.) and the two following output groups, within which there exist both generic and specific outputs:

- labour market policy and analysis; and
- labour market programme management and delivery.



4. Department of Finance and Administration

As a central service agency, the Department of Finance and Administration (Finance) contributes to three outcomes, as indicated in its 2001-02 Portfolio Budget Statements:

1. Sustainable government finances.
2. Improved and more efficient government operations.
3. Efficiently functioning Parliament.

Effectiveness

For Outcome 1, Finance has developed a set of relatively specific effectiveness indicators. These are divided into two classes:

- *Indicators of achievement of Outcome 1*: The primary objective of the government's medium-term fiscal strategy is to achieve fiscal balance on average, over the economic cycle. The fiscal strategy incorporates the following supplementary fiscal targets:
 - maintaining fiscal surpluses over the forward estimates period while economic growth prospects remain sound;
 - no increase in the overall tax burden from its 1996-97 level; and
 - improving the Commonwealth's net assets position over the medium- to longer-term.
- *Indicator of contribution of outputs to outcome*:
 - utility of budget documentation and briefings for budget decision-making meet or exceed customer's expectations.

The two classes of indicator – one generalised and strategically oriented, the other more related to the characteristics of the outputs' contribution to the outcome – allow the reader to make appropriate distinctions between Finance's role in delivering against Outcome 1 and broader factors, such as general economic and fiscal policy settings.

Agency outputs

Three agency outputs contribute to Outcome 1:

- *Whole-of-government financial and ownership advice*: Includes consolidation of budget estimates and financial outcomes, in documents such as monthly reports, final budget outcome and the consolidated financial statement. Management of the financial relations between the Crown and government agencies is also addressed, as is the provision of advice on longer-term budgetary issues, economic conditions and analysis of the overall financial position of the Commonwealth over time.
- *Outputs and outcomes advice*: Including liaison with other agencies, preparation of advice to ministers, reports on agencies' effectiveness and efficiency in particular through pricing reviews, participation in policy development and analysis, and briefing for the minister on budgetary and financial management issues facing government.
- *Commonwealth budget co-ordination*: Including development and co-ordination of budget processes, budget documentation, briefings for budget decision-making and across-the-board accounting and financial reporting policy advice.

Efficiency – agency outputs

Quality indicators for the second output are:

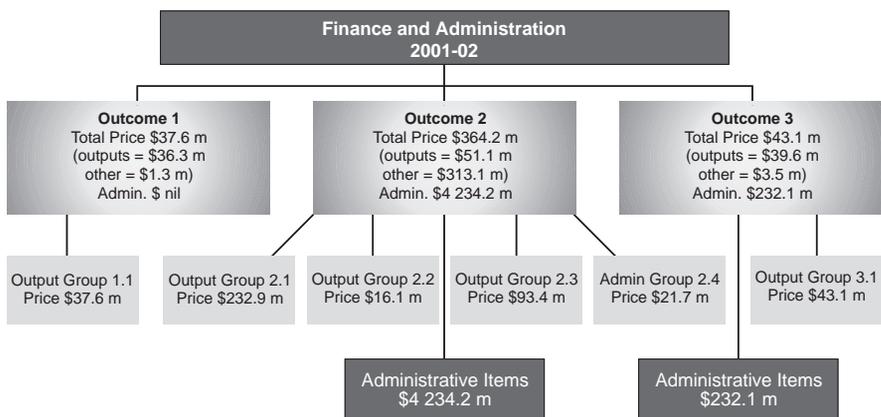
- 90% of briefings, questions on notice and ministerial replies rated excellent or above average;

- 90% of simple ministerial letters with turnaround within two working days;
- 90% of complex ministerial letters with turnaround within five working days.

Quantity indicators for the second output are:

- 280 briefings to the minister;
- 1 400 written ministerial replies;
- 550 simple written ministerial replies;
- 14 pricing reviews.

At this level of quality and quantity, the price specified for the second output is \$13.69 million for 2001-02.



5. Health and Aged Care Portfolio

In 2001-02, the Health and Aged Care Portfolio is delivering services against nine portfolio-wide outcomes:

1. Promotion and protection of the health of all Australians and minimising the incidence of preventable mortality, illness, injury and disability.
2. Access through Medicare to cost-effective medical services, medicines and acute health care for all Australians.
3. Support for healthy ageing for older Australians and quality and cost-effective care for frail older people and support for their carers.
4. Improved quality, integration and effectiveness of health care.
5. Improved health outcomes for Australians living in regional, rural and remote locations.
6. Reduced consequences of hearing loss for eligible clients and a reduced incidence of hearing loss in the broader community.
7. Improved health status for Aboriginal and Torres Strait Islander peoples.
8. A viable private health industry to improve the choice of health services for Australians.

9. Knowledge, information and training for developing better strategies to improve the health of Australians.

The Department of Health and Aged Care pursues the achievement of these outcomes in association with other agencies in the portfolio.

Changes

In 1999-2000, the Health and Aged Care Portfolio had a tenth outcome, relating to activities that were of a corporate nature:

- Leadership and management of the department to ensure development and implementation of world class policy and practices for health and aged care services for all Australians.

Activities that would have contributed to this outcome were apportioned from 2000-01 across the other nine outcomes.

Agency outputs and administered items

Against Outcome 2, \$19 457 million for administered items and \$419 million in agency outputs was appropriated in the 2001-02 Budget. Outcome 2 relates specifically to the accessibility of Australia's Medicare system, which comprises three main elements:

- *Medicare Benefits Schedule*: Providing access to medical, including diagnostic, services;
- *Pharmaceutical Benefits Scheme*: Providing access to medicines; and
- the *Australian Health Care Agreements* with the Australian states and territories, through which the Commonwealth ensures access to public hospital services.

Effectiveness

There are 10 effectiveness indicators to measure the achievement of Outcome 2. These range from the percentage of Medicare services that are bulk-billed, to Commonwealth outlays per capita on Medicare in rural and remote areas compared with other areas. For each of the 10, numerical or descriptive targets and their source are specified.

Efficiency – Administered items

Under Outcome 2, the Health and Aged Care Portfolio has also specified performance indicators for administered items. In relation to public hospital services, the 2001-02 Portfolio Budget Statements specify the following indicators:

- *Quality*: All states and territories maintain, or improve, their performance levels for emergency department and elective surgery waiting times at no less than 1 July 1999 levels;
- *Quantity*: An estimated national average of 287.24 public patient weighted separations per 1 000 applicable weighted population; and
- *Cost*: \$19.457 million.

6. Department of Industry, Science and Resources

The Department of Industry, Science and Resources (DISR) develops and implements a wide-range of policy and business assistance programmes to build the competitiveness of Australian industry and foster excellence in Australian science, technology and sport.

In 2001-02, DISR is working to two outcomes:

1. A stronger, sustainable and internationally competitive Australian industry, comprising the manufacturing, resources and service sectors.

- Enhanced economic and social benefits through a strengthened national system of science and innovation.

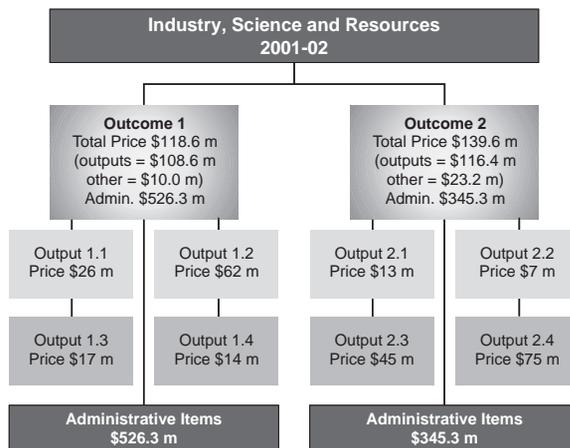
Effectiveness

Outcome 1 is an example of a planned outcome over which government has limited influence. There are many factors affecting the competitiveness of Australian industry, including economic cycles and global trends. DISR's five effectiveness indicators for achievement of Outcome 1 are:

- *Production*: Changes in Australia's per capita gross domestic product relative to its major international trading partners and trading competitors, at purchasing power parities;
- *Exports*: Trend in exports from the manufacturing, resources and services sectors;
- *Investments*: Trend in level of aggregate capital expenditure by the manufacturing, resources and services sectors and the proportion of this investment expenditure attracted and/or facilitated;
- *Productivity*: Trends in productivity and multi-factor productivity in the manufacturing, resources and services sectors; and
- *Assistance*: Progress in meeting Australia's commitment to the APEC goal of free and open trade.

These are considered good indicators of important dimensions across Australia's manufacturing resources and services industries but, on their own, not all of them quantify or isolate the contribution made by DISR. The investments indicator is the main exception.

In reporting against similar indicators for the previous year, within the narrative accompanying each result, DISR draws a causal link between its activities and the result. In time, it is likely that DISR will need to find ways to isolate the department's specific contribution to each result. This may be achieved through such approaches as estimating likely results in the absence of agency activity, or commissioning independent evaluations to establish benchmarks for DISR's contributions.



Annex II

Terminology

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| Administered Items | <p>Revenues, expenses, assets and liabilities which are:</p> <ul style="list-style-type: none"> a) controlled by the government; and b) managed by an agency or authority on behalf of the government. <p><i>Note:</i> Administered revenues, expenses, assets and liabilities include:</p> <ul style="list-style-type: none"> • subsidies, grants and benefit payments; • taxes, fees, fines and excise; • public debt and related interest; • loans to other governments and related interest. |
| Agencies | <p>Agencies are Departments of State, Departments of Parliament and “prescribed agencies” for the purposes of the <i>Financial Management and Accountability Act 1997</i> (FMA Act). Where the term is used generally in this document, it is meant to refer to departments, agencies, authorities and non-commercial companies.</p> |
| Annual Report | <p>One of the major accountability documents presented to Parliament. It provides a broad statement of agency or authority capability and performance. It allows Chief Executive Officers to account to their minister for the efficiency and effectiveness of the administration for which the minister is ultimately responsible.</p> |
| Appropriation | <p>An appropriation is the amount of public monies authorised by Parliament for expenditure. Not only does an appropriation authorise the Commonwealth to withdraw monies, but it also restricts the expenditure to the particular purpose specified by the appropriation.</p> |
| Clients | <p>The people, organisations and government agencies that consume the goods or services provided by an agency.</p> |
| Competitive Neutrality | <p>Under the 1995 Competition Principles Agreement, all Australian Governments agreed to implement competitive neutrality (CN) policies. The government has agreed principles, mechanisms and guidelines to ensure that significant Commonwealth business activities derive no competitive advantage as a result of public ownership. Taxation and debt neutrality are achieved through CN payments by agencies. In June 1996, the Commonwealth published its Competitive Neutrality Policy Statement (CNPS). The CNPS detailed taxation, debt and regulatory neutrality arrangements to</p> |

ameliorate competitive advantages the Commonwealth's business activities may derive from their public ownership. The CNPS stated that: "Taxation neutrality would be achieved by removing taxation exemptions or by establishing taxation equivalent regimes; debt neutrality would be achieved by subjecting government business activities to similar borrowing costs to those faced by private sector businesses; and regulatory neutrality would be achieved by subjecting, where appropriate, business activities to the same regulatory environment as private sector businesses."

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| Cost | Expenses incurred by an agency for the delivery of agreed outputs. Cost is inputs-focused. |
| Customer | A particular type of client who is distinguished by an ability to choose between different suppliers of services or goods. |
| Effectiveness | The extent to which actual outcomes are achieved, in terms of the intended outcomes, via relevant outputs or administered expenses. An intervention's <i>effectiveness</i> should be distinguished from its <i>efficiency</i> , which concerns the adequacy of its administration. |
| Effectiveness Indicators | Indicators to assess the degree of success in achieving outcomes. They are likely to relate to intermediate outcomes below the intended outcomes specified at budget level. |
| Expenditure Review Committee | The major ministerial committee responsible for examining all outlay proposals in the light of the government's overall fiscal strategy, advising Cabinet on budget spending priorities and initiating reviews of outlays under individual ongoing programmes. It usually includes the Prime Minister, Treasurer and Minister for Finance in addition to relevant portfolio ministers. |
| Intermediate outcomes | The result of the delivery of outputs, third party outputs or the use of administered items that contribute to (higher level or longer-term) intended outcomes. They are closely related to effectiveness indicators. |
| Outcomes (Actual) | The results, impacts or consequences of actions by the Commonwealth on the Australian community. Actual outcomes are the results or impacts actually achieved. They include the impact of all influences, not just the Commonwealth. |
| Outcomes (Planned) | The results or impacts on the community or the environment that the government intends to achieve. Outcomes are specified in Outcome Statements. |
| Output-Based Management | A management approach designed to assist government and agencies in resourcing the outputs (goods and services) required to achieve intended outcomes. Output-based management focuses on identifying intended outcomes, determining which outputs are required to achieve the outcomes, and purchasing those outputs from the most cost-efficient and effective producer from the public or private sector. This approach is intended to emphasise the relationship between what agencies produce and the impact on society. |
| Outputs | The goods and services produced by agencies on behalf of government for external organisations or individuals. Outputs include |

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| | goods and services produced for other areas of government external to the agency. |
| Performance | The proficiency of an agency or authority in acquiring resources economically and using those resources efficiently and effectively in achieving intended outcomes. |
| Performance Information | <p>Evidence about performance that is collected and used systematically. Evidence may relate to appropriateness, effectiveness and efficiency. It may be about outcomes, factors that affect outcomes, and what can be done to improve them. Performance information also includes evidence about the extent to which outcomes can be attributed to an intervention.</p> <p>Performance information may be quantitative (numerical) or qualitative (descriptive). It should be verifiable. The usefulness of performance information is enhanced by applying standards and other types of comparison (for example, with past performance, other lines of business, or level of need before the intervention) which allow judgements to be made about the extent to which interventions are achieving desired results.</p> <p>Performance information collected for monitoring purposes often generates questions that are investigated in more depth in an evaluation.</p> |
| Performance Management | A system, integrated with corporate management, of performance information, evaluation, performance monitoring, assessment and performance reporting. |
| Price | Revenue received by an agency for delivery of the outputs to an external consumer. This can be thought of as the amount government pays for the delivery of agreed outputs. Price is outputs-focused. |
| Portfolio Budget Statements | The PBS is like an explanatory memorandum for a bill before the Parliament. It explains the provisions of the budget bills, that is, where the appropriated funds are going to be spent, to members of the Parliament. |
| Stakeholders | <p>People, organisations or groups with an interest or stake in the line of business. Stakeholder groups may include:</p> <ul style="list-style-type: none"> • beneficiaries and non-beneficiaries from the target group; decision-makers and activity staff; • those with an interest in the activity (for example, advocacy groups and central agencies); • those who are adversely or unintentionally affected by the intervention. |
| Targets | Quantifiable performance levels or changes in level to be attained by a specified date. By enabling a direct judgement of performance, targets can clarify and simplify the process of performance monitoring. |