

Perspectives on the use of performance frameworks in the Australian federation

Research commissioned by the COAG Reform Council

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1 Executive summary

Nous Group (Nous) was commissioned by the COAG Reform Council (CRC) to undertake research in February-March 2014 to inform debate on future directions for the design and use of performance frameworks in Australia's system of federal financial arrangements.

The Intergovernmental Agreement on Federal Financial Relations (the IGA), agreed in 2008, heralded a new approach to negotiating, managing and monitoring the transfer of funds from the Commonwealth to the states and territories. The new approach was intended to drive reform and service delivery improvement through a sharp focus on outcomes, the accumulation of a strong evidence base and the introduction of public reporting requirements that enabled transparency and accountability.

What we mean by 'performance framework/s'

The IGA included a Public Accountability and Performance Reporting framework that set out the objectives for accountability and performance reporting under the IGA as well as performance reporting arrangements for National Agreements (NAs) and National Partnership Agreements (NPs).¹

The IGA performance framework is operationalised in two ways:

- **As outcomes, outputs and performance indicators included in individual agreements** – these are used to drive activity, monitor progress and performance at both a departmental and intergovernmental level, and are a key reference in bilateral negotiations over payment milestones. In this report we refer to these outcomes, outputs and performance indicators (as well as any associated measures, benchmarks and reward-based funding arrangements) as 'components' or 'design features' of the performance framework.
- **As a set of mechanisms for the public reporting of progress under the agreements at a national level** – this is where the COAG Reform Council undertakes comparative analysis of jurisdictions' performance against agreed outcomes, highlights examples of good practice and performance, and makes assessments of whether the conditions for triggering certain payments from the Commonwealth have been satisfied.

Importantly, there are also a range of processes involved in negotiating the performance frameworks in agreements that affect their ultimate design and use.

For the purposes of this report, Nous defines the performance framework of the IGA as being the combination of these two elements. We acknowledge that each NA and NP has its own 'performance framework' – that is, its own outcomes, outputs, performance indicators and so on. Our interest is primarily in the operation of the overarching framework and associated national-level reporting, but to understand this we need to consider the agreement-level performance frameworks as well.

¹ IGA Schedule C - Public Accountability and Performance Reporting. Schedule C also outlined aspirations for a National Performance Reporting System and continuous improvement in performance reporting.

Our research questions and approach

Nous' research was centred on the following questions:

- the role of performance frameworks, and the associated analysis and monitoring, in policy development and decision-making at the jurisdictional level
- how specific and discrete elements in performance frameworks drive and shape reform effort and contribute to service delivery improvement
- examples of good practice in using the performance framework to drive improvement and how its use can be improved.

Our analysis has been informed by interviews with a number of central and line agencies across five jurisdictions (four states and the Commonwealth) and a survey of all states and territories.

We have focussed on the impact of the IGA's performance framework in health and education, as well as Indigenous reform in those two portfolio areas. We also considered the reforms to implement a Seamless National Economy. These areas of focus were selected to enable a consideration of NAs and reform NPs, including agreements with and without reward-based funding.

The purpose of this document is to consolidate the findings of our research and analyse the extent to which the intergovernmental performance frameworks have influenced government decision-making and driven performance improvement.

Our findings

Our overarching conclusion is that, notwithstanding significant achievements in ensuring a coordinated and well-informed approach to national reform, the anticipated benefits of the performance framework for federal financial relations have yet to be fully realised.

The key benefits of the performance framework have been that it:

- **Required an articulation of, and focus on, high level outcomes** - the performance framework has prompted valuable discussions on the desired outcomes and improvements governments should seek to deliver.
- **Provided an effective structure for outcome-based funding arrangements** – by linking funding transfers to outcomes and outputs, it generally ensures a clear rationale for investment.
- **Triggered systematic data collection** – the process has contributed to the development of new and standardised datasets, while the annual reporting process provides for a regular stocktake of progress.
- **Prompted activity and effort in the different portfolio areas** – the performance framework has generated a great deal of momentum and activity by governments that was otherwise unlikely to have occurred, but there are varying views on the extent to which it drove deeper reforms.
- **Resulted in the production of informative, public reports on national reforms** – these provide a regular stocktake, and an important comparative assessment of progress that is accessible to the community at large.

Where the performance framework appears to have fallen short of expectations is in the following areas:

- **The focus on outcomes has become less consistent** – while NAs remain significant vehicles for developing and coordinating government policy around the achievement of nationally-agreed outcomes, NPs have become increasingly output focussed. In some cases this reflects the difficulties of finding suitable outcome indicators when agreements run for four years or less.
- **Public scrutiny of comparative performance did not necessarily drive innovation and improvement** – while CRC reporting has been valuable, the public accountability for progress against outcomes has been a less effective lever for reform than originally envisaged. This reflects the increasing ubiquity of government performance data in the public domain.
- **The opportunity to identify and share best practice has not been fully realised** – while analysis and reporting under the performance framework has exposed areas where states and territories do well, which enables good practice to be highlighted, this appears to have been an ad hoc and under-utilised aspect of the performance framework.
- **The spirit of collective effort to achieve outcomes has given way to a focus on compliance** – the performance framework was intended to a) inform ongoing policy development and budget decisions and b) ensure accountability for the expenditure of public funds. Interpretations of where the emphasis should be differ. The general sense is that the balance is at – or has shifted to, depending on the vantage point – the accountability and compliance side of the equation.

There are a number of factors that have worked against the fulfilment of the original expectations of the performance frameworks being met. However, there are also some trends that present opportunities for a more dynamic and open set of processes to support performance reporting on national reforms. We discuss these towards the end of this report.

Conscious of the federalism White Paper process underway, Nous offers a final set of observations on the key lessons from this research that could inform future options for improving intergovernmental performance frameworks in Australia.

The eight key lessons are:

- 1 There is value in maintaining an outcomes orientation wherever possible.
- 2 ‘Less is more’ with respect to indicators.
- 3 Respect the distinction between different types of agreements.
- 4 Maintain the integrity of the reward payment structure.
- 5 Avoid the emergence of overlaps between reports on national outcomes.
- 6 Maximise the alignment of state, territory and Commonwealth priorities.
- 7 Identify and address differing expectations of jurisdictions.
- 8 Conduct rigorous preparatory work.

2 This research was commissioned to inform debate on performance reporting

Nous was commissioned by the COAG Reform Council to undertake research in February-March 2014 in order to inform debate on future directions for performance frameworks in the context of broader considerations of how to improve Australia's federal structures and systems.

We have been asked to conduct research to analyse the extent to which intergovernmental performance frameworks have influenced government decision-making and driven performance improvement.

2.1 We adopted a broad definition of performance frameworks

For the purpose of framing this research project, 'performance frameworks' can be used to describe:

- the IGA performance framework – as documented in Schedule C of the IGA
- performance frameworks related to National Agreements and National Partnerships
- the processes associated with the implementation and governance of these agreements.

The research has sought to focus on a number of aspects of performance frameworks in a federal context:

1. The **design** of performance reporting elements in agreements.
 - a. The use and usefulness of outcomes, indicators, measures and targets/benchmarks (e.g. in National Agreements).
 - b. Linking funding to targets and benchmarks (e.g. reward payments in some National Partnerships).
 - c. Timely and quality data to support reporting requirements.
2. **Approaches** to performance reporting.
 - a. Comparative analysis of jurisdictions' performance and performance over time within a jurisdiction.
 - b. The treatment of contextual factors.
 - c. Effective public reporting and communication.
3. The **role** of public performance reporting and accountability in driving reform.

2.2 The research focussed on decision-making in a few selected reform areas

The scope of Nous' research has been guided by a set of high level research questions to be tested against a selection of policy areas under COAG's national reform agenda.

2.2.1 Our research focused on three areas of the national reform agenda

The research was limited to the following policy reform areas:

- health (including Indigenous reform)
- education (including Indigenous reform)
- competition and regulation.

These policy reform areas were selected as they have been a significant focus of the COAG-driven reform agenda since 2008 and provide a good representation of performance frameworks in use, including some that have been refined over time.

The National Agreements (NAs) and National Partnership Agreements (NPs) that are captured within the scope of this project are listed in Table 1.

Table 1: Agreements under the IGA that were the focus of this research

| Health | Education | Indigenous disadvantage | Competition and regulation |
|---|---|---|---|
| National Agreements | | | |
| <ul style="list-style-type: none"> • National Healthcare Agreement • National Health Reform Agreement | <ul style="list-style-type: none"> • National Education Agreement | <ul style="list-style-type: none"> • National Indigenous Reform Agreement | |
| National Partnerships with reward funding | | | |
| <ul style="list-style-type: none"> • National Partnership on Preventative Health • National Partnership on Essential Vaccines • National Partnership on Improving Public Hospital Services | <ul style="list-style-type: none"> • National Partnership on Improving Teacher Quality • National Partnership on Literacy and Numeracy • National Partnership on Youth Attainment and Transitions | | <ul style="list-style-type: none"> • National Partnership Agreement to Deliver a Seamless National Economy |
| Other National Partnerships | | | |
| <ul style="list-style-type: none"> • National Partnership on Hospital and Health Workforce Reform • National Partnership on Health Services • National Partnership on Health Infrastructure • National Partnership on e-Health • National Partnership on Closing the Gap in Indigenous Health Outcomes | <ul style="list-style-type: none"> • National Partnership on Low Socio-Economic Status School Communities • National Partnership on Early Childhood Education • National Partnership on the National Quality Agenda for Early Childhood Education and Care • National Partnership on Empowering Local Schools • National Partnership on Indigenous Early Childhood Development | <ul style="list-style-type: none"> • National Partnership on Indigenous Early Childhood Development² • National Partnership on Closing the Gap in Indigenous Health Outcomes³ | |

² The National Partnership on Indigenous Early Childhood Development covers both Indigenous disadvantage and Education

³ The National Partnership on Closing the Gap in Indigenous Health Outcomes covers both Indigenous disadvantage and Health

2.2.2 This report considers the extent to which performance frameworks influence government decision-making

Nous was asked to explore the following research questions:

1. How do governments use the performance frameworks of National Agreements and National Partnerships to drive improvement?
 - Specifically what actions have been taken by governments and within agencies driven by public reporting against agreed performance indicators/targets/benchmarks?
2. What specific elements of the framework drive use of performance information in decision-making?
3. How might the performance reporting framework be improved to increase use in decision-making to drive improvement in performance?
4. What examples of good practice in using the framework to drive improvement can be identified?

Nous used a hypothesis-based approach to develop a more detailed list of questions and test these research questions with jurisdictions. Additional detail on this approach is outlined below.

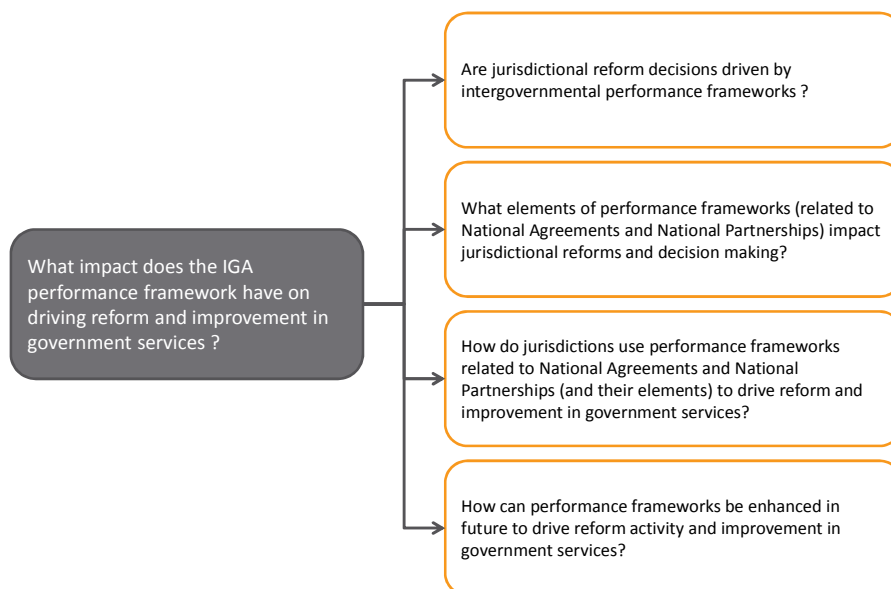
2.3 Our methodology sought to capture a cross-section of views in a condensed timeframe

Nous has adopted a hypothesis based approach to developing its research questions which were then put to jurisdictions through two channels.

2.3.1 We developed key lines of inquiry to guide our research

The research methodology was developed by identifying key lines of inquiry that relate to the research questions provided to us by the CRC. These are set out in Figure 1.

Figure 1: Lines of inquiry to inform our data-gathering



2.4 We gathered data from interviews and a survey

Due to time restrictions, project interviews were conducted with a sample of jurisdictions. Nous conducted 25 interviews with over 40 officials from central agencies and relevant line agencies.

Interviews were held with officials from the following jurisdictions:

- Commonwealth
- New South Wales
- Victoria
- Queensland (in person and by phone)
- Western Australia (by phone).

A list of agencies interviewed for this research is included in Appendix B.

The online survey was sent to all jurisdictions' central agencies and line agencies involved in the implementation and use of the IGA performance framework generally and/or the performance frameworks embodied in the in-scope NAs and NPs.

The survey was conducted in late February and early March.

The survey sought to obtain data from a wider range of government officials than captured by the more targeted interviews. We were particularly keen to ensure the participation of all jurisdictions.

The survey elicited 40 responses, including a large number from the jurisdictions that were not included in the interviews.

Additional detail on the online survey and its responses is included in Appendix A.

2.5 The data obtained in this research has some limitations

The research questions for this project, and the data collected in an attempt to answer them, presented a number of challenges.

Most notably, the nature of the task necessitated a heavy reliance on qualitative data – impressions and perceptions recorded in survey and interview responses.

Other challenges included:

- **attribution of cause** – the ability to isolate the influence of the performance framework and any of its elements and processes from the influence of other factors is difficult
- **measurement of impact** – there is no counterfactual to questions about the impact of the performance framework over and above 'business as usual' for government and in many cases the benefits and outcomes achieved will not be truly evident for several years
- the **number of survey responses** – jurisdictions were not limited to the number of responses that could be made. Some agencies chose to submit coordinated responses while others had multiple staff members submit responses. Consequently, the 40 survey responses were not evenly spread across jurisdictions or portfolio/policy areas, meaning that the views of some jurisdictional representatives and/or portfolio agencies may be relatively overrepresented.

While necessarily subjective, the responses we received nevertheless produced common themes and revealed a strong degree of agreement on some key points.

2.6 Our analysis moves from a discussion of context through to research findings and observations

The analysis in this report is structured as follows:

- introduction to the IGA and its performance framework/s (Section 3)
- overview of the performance framework's contribution to national reform and service delivery improvement (Section 4)
- design elements of the performance frameworks (Section 5)
- processes associated with implementing performance frameworks (Section 6)
- negative and unintended consequences that have arisen from the implementation of performance frameworks (Section 7)
- barriers to, and enablers of, the effective use of performance frameworks (Section 8)
- key lessons from this research to inform future options for intergovernmental performance frameworks (Section 9).

3 The IGA created the structure for and expectations of outcomes-driven reform

In this section we summarise the current federal financial arrangements, the original intent of these arrangements and the rationale for the performance framework underpinning them.

3.1 Reform of federal financial relations was central to the pursuit of a national reform agenda

On 2 December 2007, Governments agreed to work on a new national reform agenda that encompassed productivity improvement through investment in human capital development and infrastructure investment; social policy and service delivery reform; and collective action on climate change and water management.⁴

Reform of federal financial relations was central to the pursuit of this reform agenda. On 29 December 2008, COAG finalised a new Intergovernmental Agreement on Federal Financial Relations (the IGA) which set out new arrangements for jointly funding the reform effort.⁵

With its focus on wide and targeted reform effort, outcomes-based accountability, flexibility in the reallocation of funds within broad funding streams, and use of novel arrangements such as 'reward' payments, the IGA was seen as ground-breaking. It was a marked departure from pre-existing grant-style funding arrangements that had no link to a wide-ranging national reform agenda. It reflected contemporary best practice in driving 'joined-up' reform.

3.2 The new arrangements featured outcomes-based performance frameworks and new types of agreements

The IGA saw the collapse of over 90 individual funding agreements ('Special Purpose Payments') into five streams, each of which was aligned to a NA.⁶ NAs define the outcomes, outputs and performance indicators and clarify the roles and responsibilities that will guide the Commonwealth and the States in the delivery of services across a particular sector.

The concept of the new Special Purpose Payments aligned to NAs was that states and territories would be able to direct resources at their own discretion within the five respective funding streams. The quid pro quo was that states and territories were held accountable for their performance against each NA's agreed high-level outcomes.

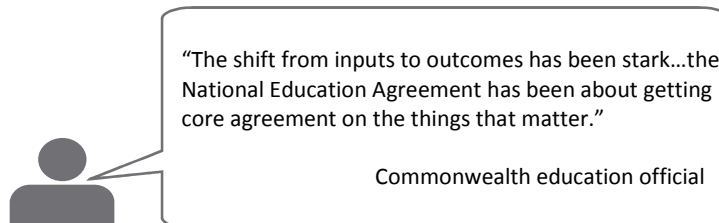
A sixth NA, on Indigenous Reform, was also concluded. It, too, has agreed objectives, outcomes and indicators but unlike the other NAs within the scope of this research does not have Specific Purpose Funding attached (although funding was attached to its associated NPs).

⁴ Council of Australian Governments' Meeting Communiqué, 20 December 2007, accessed on 15 March at <http://www.coag.gov.au/sites/default/files/Communique%2020%20December%202007.pdf>

⁵ COAG, Federal Financial Framework, accessed 13 March 2013 at <http://www.federalfinancialrelations.gov.au/>.

⁶ National Agreements are in place across healthcare, education, skills and workforce development, disability services, affordable housing and Indigenous reform.

The IGA performance framework therefore sought to achieve a reduction in Commonwealth prescription on service delivery by the states and territories by emphasising outcomes to be achieved. The intent was to promote innovation and measure ‘what matters’.



A separate category of agreements was established under the IGA in the form of NPs. These were initially envisaged as time-limited agreements to fund specific reform initiatives in several targeted areas.

NPs provide a mechanism for the Commonwealth to make payments to states and territories to facilitate and reward reform effort and support the delivery of specified outputs or projects.

Over time, NPs were negotiated for specific purposes more commonly (e.g. to fund an increase in activity or outputs or to underwrite specific programs or election commitments). These did not necessarily have a reform objective. Such NPs are often referred to as ‘project’ NPs, as distinct from ‘reform’ NPs.

Among the most important of these was the NP to create a Seamless National Economy (SNE). It provided a framework for the pursuit of a raft of regulation and competition reforms, each with its own funding structure, milestones and measures. ‘Reward payments’ were essential elements of the SNE NP. As the name implies, reward-based agreements require the states and territories to meet certain targets or milestones before the Commonwealth will release the next tranche of funding.

3.3 The IGA provided an overarching performance framework for national reforms

The architecture and governance that gives effect to the IGA and enables agreement-making includes a range of officials-level and ministerial committees. The latter includes the Standing Council for Federal Financial Relations which, among other things, is responsible for general oversight of the operation of the IGA; development of a national performance reporting system; and reviewing the operation of the IGA over time and considering amendments to it.

The IGA public accountability and performance reporting framework⁷ allows for systematic processes to:

- collect data on the performance indicators in the agreements using standardised reporting
- analyse and share the results in such a way as to further inform policy development
- deliver greater transparency to the public about the work being undertaken under COAG auspices, and
- meet the need for accountability (particularly to the Commonwealth) for the expenditure of funds transferred to the states via Specific Purpose Payments or under NPs.

⁷ Set out in Schedule C to the IGA

Its intent in doing so is to support the “focus on the achievement of outcomes, efficient service delivery and timely public reporting” and to provide “stronger incentives to implement economic and social reforms”.⁸

The role of the CRC was reaffirmed and its mandate expanded under the IGA. It supports COAG in driving the national reform agenda by:

- reporting on the performance of governments under NAs, which includes the provision of comparative analysis of jurisdictional performance and reporting on progress under NPs that support NAs
- reporting on the performance of governments under various NPs with reward payments including an independent assessment of whether predetermined performance benchmarks have been achieved prior to reward payments being made
- advising COAG on options to improve performance reporting frameworks
- highlighting examples of good practice and performance
- reporting to COAG on the aggregate pace of activity across the COAG reform agenda.⁹

Since 2008 there have been several adjustments made to the operation of the IGA performance framework, most notably through the revision of NAs to, among other things, simplify their performance measures. The CRC has also identified recommendations for improving data quality.

3.4 The performance framework of the IGA was intended to deliver a number of benefits

Governments made some reasonable assumptions about the positive impact that the performance framework would have – namely that:

- an outcomes-based approach to reform and service delivery improvement, with corresponding flexibility to employ methods that suit the local circumstances, will be more effective than an outputs-based approach or one structured around input controls
- the requirement to produce data and report on progress will provoke deeper and more regular analysis that in turn prompts adjustments to programs, services and initiatives, and
- the publication of comparative data showing relative progress of jurisdictions towards outcomes will encourage ‘healthy competition’ and an incentive to innovate and draw on ‘best practice’.

These expected benefits can be considered from two perspectives: those derived directly from the performance framework of the IGA and associated agreements, and those that relate to the processes surrounding their use.

These are listed in the table over.

⁸ Intergovernmental Agreement on Federal Financial Relations, Council of Australian Governments, 29 November 2008, para 5 (b) and (d)

⁹ See, for example, ‘Lessons for federal reform: COAG reform agenda 2008–2013’, COAG Reform Council, 1 November 2013 which recommended significant changes to the performance reporting framework. COAG accepted these recommendations.

| Benefits expected to derive directly from performance frameworks | Benefits associated with the implementation of performance frameworks |
|---|---|
| Increased pace and momentum of reform-related activity | Improved data sources and collection methods |
| Additional resourcing, particularly where payment is by 'milestone' | A richer evidence base over time |
| Greater accountability for expenditure | Development of shared language and views |
| Improved performance in access to, or levels of existing services | Clarity of relationship between funding and results |
| Substantive reform to meet desired business and community outcomes | Clarity of relationships between parties involved in reform effort |

Each of these potential benefits can be evident, to varying degrees, in the performances frameworks of NAs and NPs.

The following section explores where the expectations of benefits have been met, and where there appears to be some unfulfilled potential, according the views of those we interviewed and surveyed.

4 Performance frameworks are seen as valuable if not critical to achieving reform

Our survey and interviews elicited views on the contribution of the federal financial performance frameworks to government decision-making related to the national reforms and service delivery improvement initiatives. In this section we provide an overview of perspectives offered by jurisdictional representatives before considering a number of specific issues that were raised.

4.1 Performance frameworks have clearly driven effort and lifted activity levels

Our interviews revealed a consistent view among officials that the implementation of the IGA performance framework led to a mobilisation of effort by jurisdictions around agreed initiatives. However, the scale of effort and achievement was noticeably different among NAs and NPs.

Survey participants reported that the performance frameworks adopted in agreements, along with the associated monitoring and reporting processes, had positively influenced government activity in a number of ways. These are enumerated below. In each case, an excerpt from a survey response is provided by way of example.¹⁰

Respondents reported that as a result of the performance frameworks there was:

- **improved data collection, analysis and disclosure**
“Focussed activity on areas that are measured. Sharpened up our administrative data.”
- **a clear relationship between funding under the agreements and implementation of new policy initiatives**
“Reforms with clear milestones, such as the Seamless National Economy, and reward payments, demonstrate the clearest example of the framework influencing reform.”
- **increased resourcing for delivery of existing services**
“The majority of NPs in the health and human services portfolios provide funding for an increased level of service delivery . . .”
- **a greater emphasis on evidence-based reporting mechanisms**
“The IGA framework including the CRC's reports play a useful role in assessing the progress of the COAG reform agenda and complement other evidence-based reporting mechanisms”
- **a shift toward outcomes-based measurement and reporting.**
“Emphasis on outcomes rather than inputs has helped to focus agencies on reform”

Some interview participants expressed a view that without the placement of specific reform areas into the COAG and IGA context, ‘business as usual’ would have continued. The performance framework triggered investment in, and attention to, new reforms. It also added momentum to reform initiatives already underway but aligned with the national agenda.

¹⁰ Quotes are drawn from responses to question 8, ‘How has the IGA performance framework influenced the approach to reform activities in your specific policy area?’

Perspectives on the contribution of education NPs to reform activity within jurisdictions

Survey respondents identified a number of changes driven by education NPs. Example quotes are shown below:

- “The National Partnership Agreement on Early Childhood Education led to change of policy within the department and a greater focus on preschool.”
- “Some of the targets have been built into individual school annual operational plans and targets to achieve system targets.”
- “The IGA performance frameworks were used to develop a range of integrated initiatives (at a school, region and whole of system/sector level) under the Smarter Schools National Partnerships that targeted outcomes across each of the agreements.”
- “Significant reform has been implemented under the auspices of Teacher Quality NP, Low SES, Empowering Local Schools, Skills Reform and the Early Childhood NPs. For example, [our jurisdiction] is moving to paying teachers according to their accreditation against standards and has implemented a devolved system whereby school principals now have significant control over their own budgets.”

4.2 There is a positive but weaker relationship between performance frameworks and deeper reforms

Our research revealed greater equivocation over the question of whether the additional effort triggered by the performance frameworks translated into substantive and systemic reform.

For some, particularly those in the health sector, the provision of funds was a stronger driver of reform than the implementation of a performance framework. For others, the issue was that reform ambitions were high but the intent weakened during the implementation phase. Such views emerged both from the interviews and the surveys.

Funding for sub-acute beds improves capacity, albeit without necessarily addressing underlying causes

Under the National Partnership on Improving Public Hospital Services, states and territories were provided with Subacute Beds Guarantee Funding (Schedule E) for the delivery and operation of an additional 1,316 new subacute beds into public hospitals over the years 2010–11 to 2013–14.

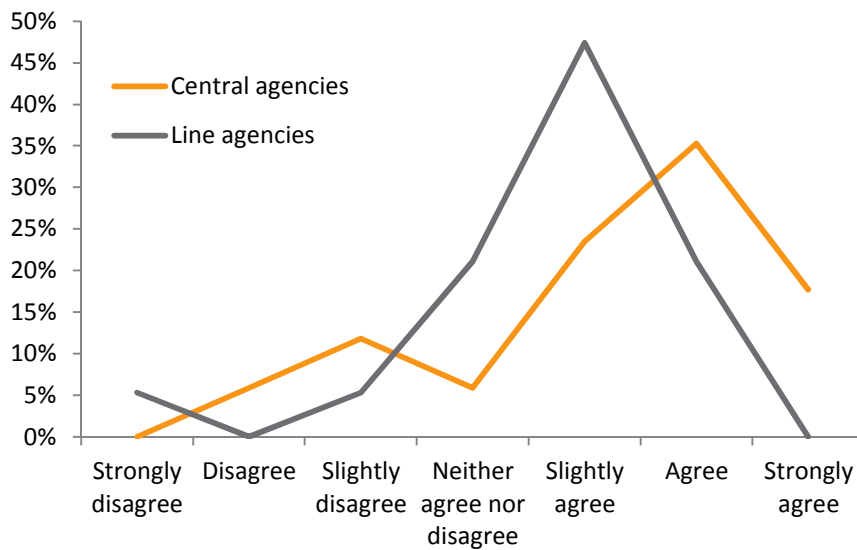
The new beds were provided to free up acute care beds for those who need them and to reduce pressure on emergency departments.

According to two jurisdictions we interviewed, while the NP enabled important capacity improvements, it did not address underlying causes for demand pressures and therefore fell short of being a truly reform-oriented NP.

Overall, survey participants indicated that they saw a positive relationship between performance frameworks under the IGA and reform outcomes. There was a noticeable difference in views on this point between central and line agency respondents. When asked to assess the overall effectiveness of the performance framework in driving reform, central agencies ‘agreed’ or ‘strongly agreed’ that they had been effective in 53% of responses. By contrast, just 21% of respondents from line agencies ‘agreed’ or ‘strongly agreed’ that it was effective.

These responses are summarised in Figure 2.

Figure 2: Perceptions of the effectiveness of performance frameworks in driving reform¹¹



Some participants commented that the performance frameworks had simply added an additional layer of complexity to existing performance reporting processes. This was consuming staff time and compounding the reporting and regulatory compliance burden.

When asked if reform would have taken place in the absence of the IGA performance framework, survey and interview respondents' views were mixed, with several finding it a difficult question to answer in the absence of a counterfactual.

We noted above the view of some interviewees that the performance framework added momentum to existing reforms. There was also a significant number who said the relevant reforms were already in train in their jurisdiction so there was no discernible difference. For example, one stated that many of the reforms undertaken since 2008 "were already under way", while another argued that the reforms "have a strong evidence base" and so "would have occurred" in the absence of the IGA performance framework.

More generally, participants felt that the IGA performance framework's impact had waned over time and that there were large and growing numbers of NPs developed that were "not in alignment with the intent and spirit of the IGA".

The following sections explore these and other related issues in more detail.

¹¹ Central agencies were given the statement 'The introduction of the IGA performance framework has helped to drive reform in my jurisdiction.' Line agencies were given the statement 'The introduction of performance frameworks related to National Agreements and National Partnerships has helped to drive reform in my specific policy area.' The results of these questions have been combined throughout this section.

4.3 Perceptions of the effectiveness of the performance framework vary by role and jurisdiction

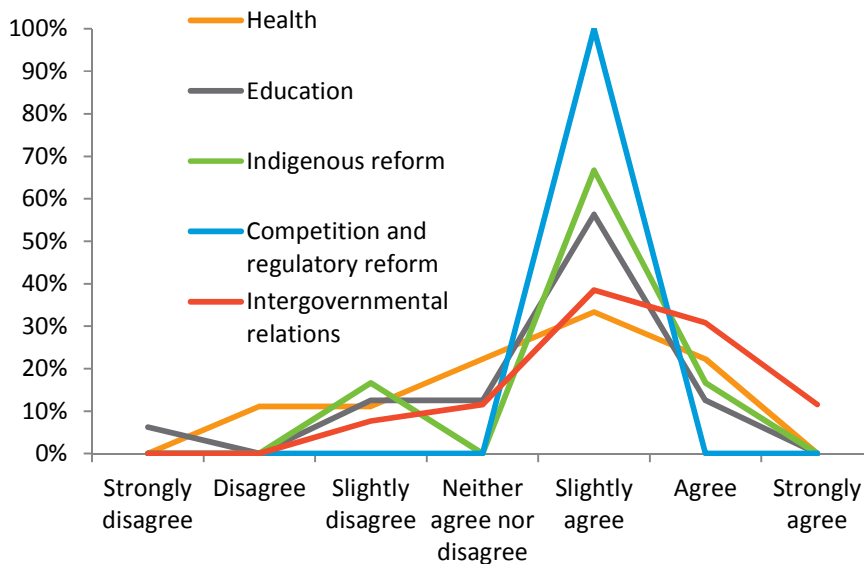
Views on the effectiveness of the IGA performance framework in driving reform, influencing decision-making and improving service delivery varied according to the portfolio area and whether the respondent was from the Commonwealth or the states and territories.

Variations by role

Survey respondents working in intergovernmental relations areas (whether in central or line agencies) had the most positive view of performance frameworks, with 43% either ‘agreeing’ or ‘strongly agreeing’ that they have been effective. In Indigenous reform, health and education-focussed roles, most respondents ‘slightly agreed’ that performance frameworks were effective in driving reform.

Figure 3 shows a comparison across these policy areas.¹²

Figure 3: Perceptions of effectiveness of performance frameworks in driving reform by role focus



There are a couple of interesting conclusions to be drawn from these results. First, the experiences across portfolios were mixed, perhaps reflecting the diversity of NAs and NPs and their respective performance frameworks. Second, there is no substantial difference between the results for the Indigenous reform area compared with other portfolios, despite the fact that the Indigenous reform NA, unlike the others, did not directly have funding attached to it. However, it is noted that there was funding directed at Indigenous reform through a number of NPs which supported this NA. This questions whether money is the sole driver of reform.

“The National Partnership on Improving Teacher Quality has been a significant driver of activity and reform.”

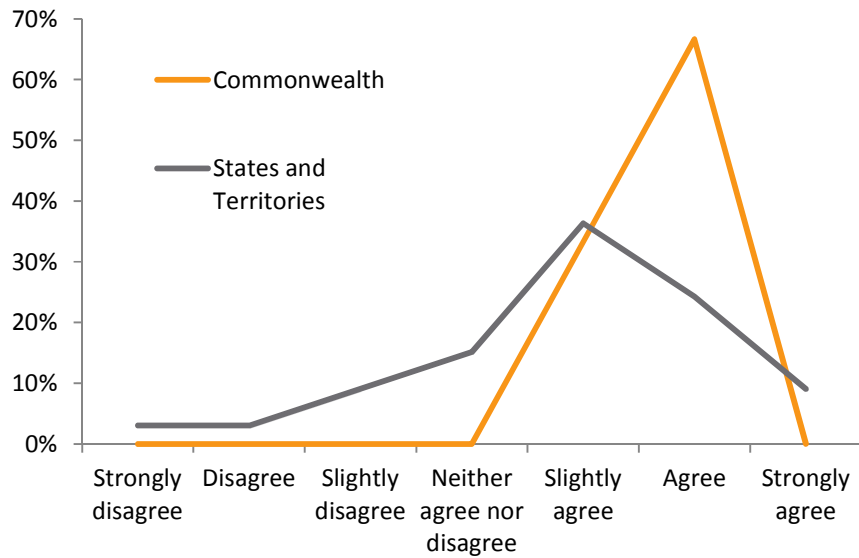
Commonwealth education official

¹² Respondents had the option to nominate more than one policy area. Note that only one respondent selected ‘Competition and regulatory reform’.

Jurisdictional variations

Commonwealth participants 'agreed' or 'strongly agreed' that performance frameworks had been effective in 67% of responses,¹³ compared to only 34% for participants from states and territories. Participants from states and territories also provided some responses that disagreed with the overall effectiveness of performance frameworks as seen in Figure 4.

Figure 4: Perceptions of effectiveness of performance frameworks in driving reform across jurisdictions

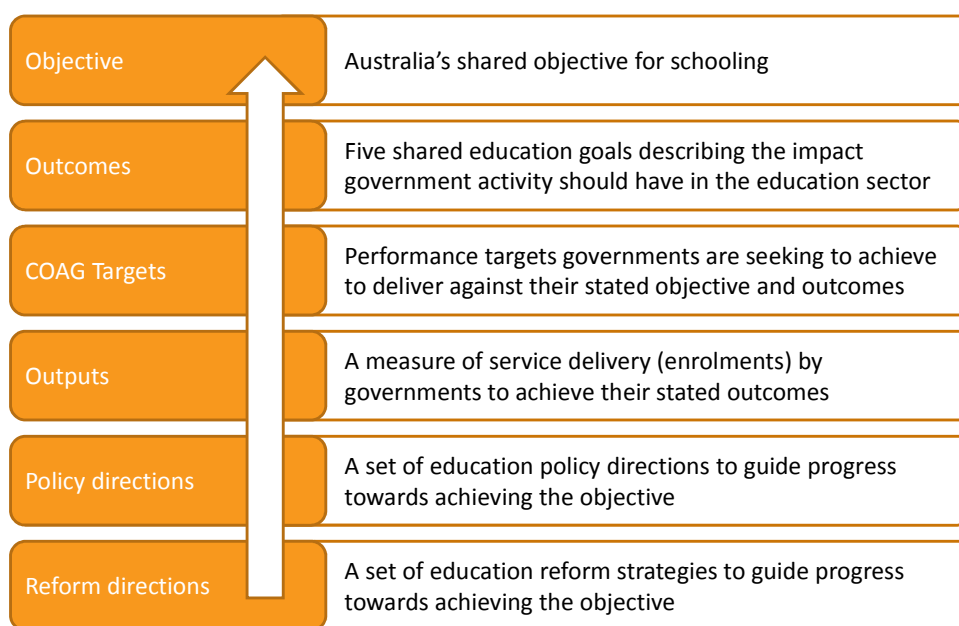


¹³ Note that there were only 3 Commonwealth responses, meaning this figure should be interpreted with caution.

5 Design elements of the performance framework each vary in their impact

The IGA performance framework embedded a new way of defining national goals and measuring and reporting on progress towards their achievement. Typically the NAs and reform NPs have a performance framework structure that includes a statement of outcomes, a list of key performance indicators and/or targets, specified outputs and often a statement of policy direction and respective roles and responsibilities. See for example the design elements used in the National Education Agreement outlined in Figure 5.

Figure 5: Design elements in the National Education Agreement¹⁴



In our survey and interviews we asked participants to respond to a series of questions on the relative effectiveness of the different design elements that can be found in the IGA-level performance framework (i.e. including CRC reporting requirements) as well as the performance frameworks of NAs and NPs.

This section discusses the contributions of key design elements to informed government decision-making, and increased activity and reform effort.

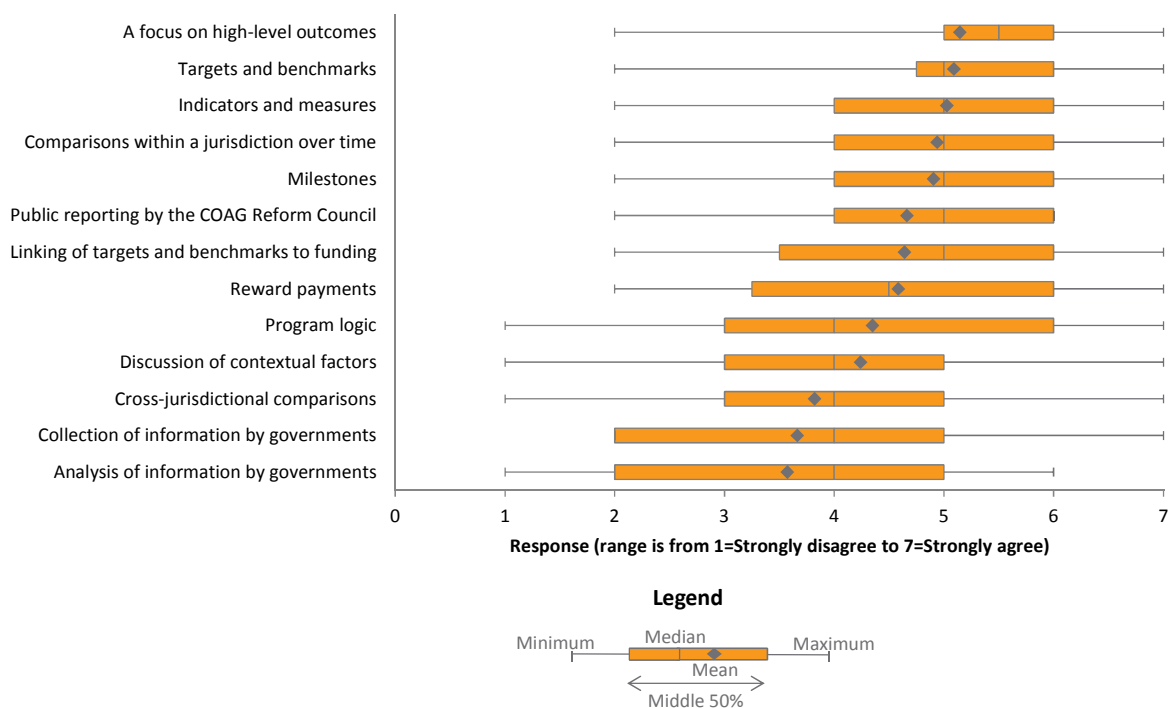
¹⁴ Adapted from the National Education Agreement <http://www.federalfinancialrelations.gov.au/content/npa/education/national-agreement.pdf>

5.1 Design elements reflect the static and dynamic elements of performance frameworks

Survey respondents assessed a wide range of design elements that have been effective in driving government decision-making and reform. These include static elements – the structure of the performance framework for example – and dynamic elements, such as the reporting processes that are part of the framework’s implementation and use.

A list of the design elements appears in Figure 6. This shows a comparative boxplot of participant responses, ordered by the mean score of each element.¹⁵

Figure 6: Effectiveness of design elements of the performance frameworks



Some noteworthy observations from these survey responses are that:

- the mean responses indicate that no single element of performance frameworks was considered overwhelmingly by participants as driving reform and government decision-making (with a mean score of 5 aligning to the ‘slightly agree’ response)
- a focus on high-level outcomes was rated as the most useful element across jurisdictions (with a mean score of 5.15)

¹⁵ The chart combines responses from survey questions 10 (‘Do you think that the use of the following features has been effective in driving reform and decision-making?’) and 12 (‘Do you think the following steps in the implementation of the IGA performance framework have been effective in driving reform and decision-making?’). Duplicates were removed where two similar options were present. The full numerical range is 1=Strongly disagree, 2=disagree, 3=Slightly disagree, 4=Neither agree nor disagree, 5=Slightly agree, 6=Agree, 7=Strongly agree.

- most elements of performance frameworks received mildly positive ratings (with mean scores between 4 and 5) including targets and benchmarks, indicators and measures, milestones, comparisons over time, public reporting by the CRC, reward payments and program logic
- cross-jurisdictional comparisons do not appear to be an effective driver of government decision-making and reform as would likely have been envisaged
- the collection and analysis of performance data internally by governments was not seen as a positive driver of reform.

Some useful commentary was provided in one survey response on the contributions of different design elements to reform activity in the Indigenous housing field. While this area was not within the scope of our policy focus areas it has been included here as a particularly instructive example (see below).

Contribution of different design elements of the performance framework for Indigenous housing

The following is taken from a survey response in which the participant cited that examples of the Indigenous Housing NP's performance framework, stating that "houses wouldn't have been built without it." Below are the respondent's comments on each of the key design elements:

Outcomes: "Outcomes statements provided the line of sight."

Indicators and measures: "First, the IGA was helpful in promoting alignment – it pushed people to align their performance measurement, if not necessarily their effort. So it produced some efficiencies. Second, it helped to ID data gaps and to improve the frequency of data collection. Also highlighted the limitations on benchmarking and the differing jurisdictional factors."

Targets: "The framework has provided greater accountability in departmental structures – targets are written into the performance agreements for CEOs and there are clearly identified 'lead DGs' for agreements which cross portfolio lines."

Reward payments: "Reward payments and benchmarks were important in driving activity."

Public reporting: "Public reporting has generally been very useful... It drives an emphasis on reform areas and does feed into decision-making about program implementation... So it is essentially working as intended."

The respondent also offered views on areas for improvement:

- "Sometimes the focus was just on doing the necessary to get the reward payment instead of achieving the overarching reform intent."
- "Data limitations make it difficult to have timely discussions about performance. No truly current benchmark data is available – we might only get collections every 3 years."

5.2 A focus on outcomes is seen as the most useful design element

If we put to one side the 'carrot' of funding as a driver for activity and reform, agreement on shared reform goals articulated in a performance framework appears to be the most significant driver.

50% of survey respondents agreed or strongly agreed that 'a focus on high-level outcomes' is effective in driving reform and decision-making, the highest for any design element. One survey respondent stated that the "emphasis on outcomes rather than inputs has helped to focus agencies on reform". Another said that the IGA performance framework "has provided a focus on agreed key priority areas to improve health outcomes".

Perhaps the best test of the value of an outcomes-based performance framework is the National Indigenous Reform Agreement (NIRA). Jurisdictional representatives were consistently positive when interviewed about the effort being made by governments to achieve the high-level 'Closing the Gap' targets despite the absence of any funding directly linked to the agreement.¹⁶ Several indicated that the outcomes focus was highly motivating, even though the goals were ambitious and only incremental progress was likely.

5.3 There is support for a program logic structure, notwithstanding the challenges involved

Positive feedback was provided in interviews on the use of program logic. Officials across the Commonwealth, states and territories were in agreement that joint consideration of outcomes, outputs and indicators has enabled a productive debate on national policy challenges.

However, some acknowledged that the program logic structure presents challenges – both in design and in implementation.

On design, there were a few criticisms to the effect that “program logics...were not well put together” with the result that the relationship between inputs, outputs and outcomes is difficult to discern. Another perspective was that program logic approaches tend to be ‘top-down’, beginning with an attempt to define the desired outcomes.

One jurisdictional representative argued that a better approach would be to start with the output-oriented performance data that already exists and then consider what else would be needed to supplement it. A variation on this point came from another interviewee who argued for a process that commences with an ‘all-in’ discussion of what the data we have is telling us before then defining the problem or challenge and later considering what the desired outcome might be.

Outcomes-based performance frameworks are good, but a ‘bottom-up’ approach might be better in some cases

In the health sector, a number of states highlighted the challenges of reconciling outcomes-based program logic approaches with measures for service performance at the local level.

In a time of greater devolution of service delivery, there was a view by some that a ‘bottom-up’ approach would be preferable to a top-down design of performance frameworks. Specifically, the proposition was that the Commonwealth should study the data that the states and territories typically receive and then discuss what supplementary, higher level indicators are needed.

There was greater concern, however, with the challenge of maintaining the integrity and balance across the program logic structure. Consistent with the foregoing discussion, this manifests in what is seen to be an over-emphasis on inputs and outputs rather than outcomes.

A number of survey respondents felt that the performance frameworks have, over time, become more rigid and prescriptive and that the Commonwealth exercises greater oversight and requires more reports than in the past. Such views were expressed in a number of ways:

¹⁶ Funding for Indigenous reform was included in associated NPs.

- One respondent argued for performance frameworks related to NAs and NPs to “be flexible enough to allow for a strategic and integrated approach to achieving outcomes” including “alignment of reform initiatives with existing jurisdictional priorities”.



“Milestones were often low level and prescriptive to suit the needs of the Australian Government. Target setting and benchmarks need to be cognisant of the challenges faced by different jurisdictions. Performance indicators, measures, targets and benchmarks need to be achievable and differentiated to be useful. Program logics often were not well put together so that ideal linking was not always evident in the agreements.”

Survey response

- Another expressed a desire for the Commonwealth to “let those closest to the ground get on with it”.
- Another said the use of performance frameworks “has wildly differed from the intent of the agreements, with the Commonwealth taking an excessive interest in inputs rather than outcomes.”

To put the concerns with the Commonwealth’s reported focus on inputs in context, the majority of Commonwealth and state interviewees acknowledged that, notwithstanding the fact that states and territories have primary responsibility for service delivery, Commonwealth Ministers and officials have political and legislative accountabilities and responsibilities to ensure the expenditure of public funds achieves value for money.

The concerns appeared to relate primarily to ad hoc requests for information about process and inputs rather than a resistance to regular reporting required under the performance framework.

5.4 Setting performance indicators and measures is often problematic

A central component of performance frameworks is the identification of, agreement to and monitoring of performance indicators that can enable assessment of progress in achieving outcomes. Interviewees offered some specific examples where the setting of performance indicators had successfully led to reform being driven in service delivery, including the indicators in the Literacy and Numeracy NP and the National Emergency Access Target.

National Emergency Access Target drives hospital-wide reform

The National Emergency Access Target (NEAT) in the Improving Hospital Services NP stipulates that by 2015, 90% of all patients will leave the Emergency Department (ED) within 4 hours:

- Discharged
- Admitted to hospital, or
- Transferred to another hospital for treatment.

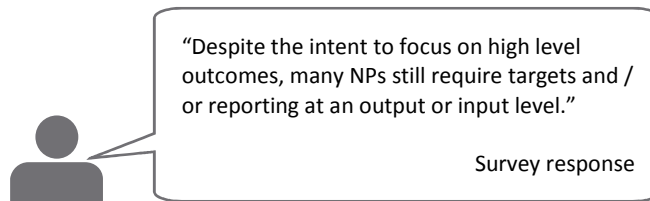
While such a target could arguably be viewed as one focussed on throughputs rather than outcomes, the point was made by one interviewee, and agreed to by others, that the NEAT has triggered quite substantial reforms whose reach has gone well beyond the Emergency Departments. For example, Queensland has changed a range of internal processes and deployed the hospital workforce differently to achieve the target, delivering benefits to the system.

However, our research pointed to a number of issues relating to the identification and use of performance indicators, specifically:

- the difficult of developing effective indicators to measure progress against outcomes
- accommodating different views on what indicators are needed.

These are discussed below.

5.4.1 Developing suitable performance indicators for outcomes is difficult



Over a third of survey respondents said they wanted to see an increased focus on outcomes and medium term measures. However, survey respondents and interviewees alike highlighted the difficulty setting effective performance indicators and measures for outcomes, especially when there were time pressures.

While NAs have a strong focus on outcomes, the performance frameworks for NPs are less consistent, with a strong theme in our research that NPs, despite the intent of being outcomes focussed, had too many output indicators. While jurisdictional representatives recognised that the short-term nature of NPs meant that interim performance indicators or proxies needed to be used for outcomes, there was nevertheless a frustration that the link to outcomes appeared to have been weakened or lost.

This challenge is compounded by the availability and suitability of data across multiple jurisdictions to report against outcomes. A number of interviewees expressed a desire for improved data sets, but acknowledged that the investment required was considerable and difficult to secure at a time of fiscal constraint.

A further difficulty in developing effective indicators for governments is finding appropriate indicators that can measure incremental, but possibly significant, change at the population level. With some of the NA targets, progress may not be perceivable within a 4-5 year period. There are no easy answers to this though, as one interviewee put it, the key challenge then becomes one of being better at developing medium-term indicators.

5.4.2 The rationale for the use of performance indicators can vary

Governments have several interests that determine how performance indicators are selected and used. These relate to the range of benefits expected to be derived from performance frameworks that we discussed earlier. For example, there would be interest in:

- accountability measures to ensure appropriate expenditure of public funds (a Commonwealth focus)
- reducing the reporting burden on jurisdictions
- driving performance improvement by setting targets
- leveraging available data collections
- building a longitudinal picture to inform future policy development
- sharing information on 'what works'.

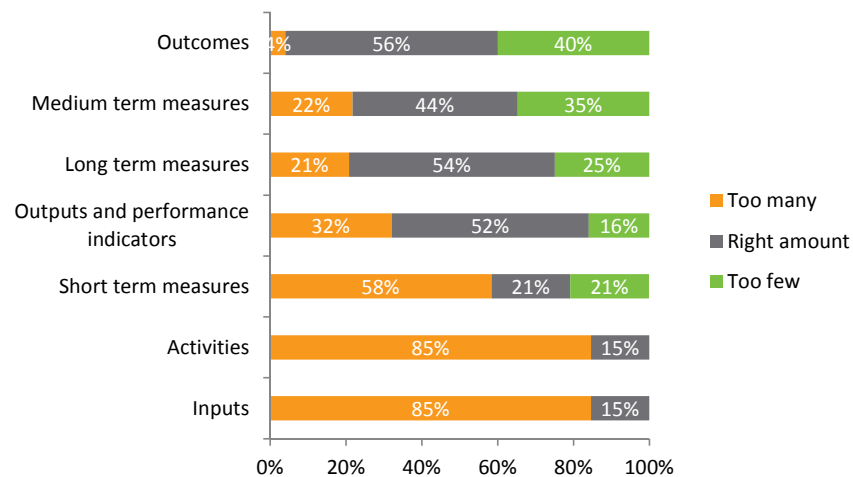
Interviewees acknowledged these sometimes competing interests can lead to an imperfect or lengthy set of indicators in the performance frameworks. One observed, for example, that governments were reasonably good at setting long term outcome indicators and short term indicators, but that there was a distinct weakness in the development of medium term indicators of progress towards achieving desired outcomes. Another commented that, because negotiations on performance indicators were difficult among jurisdictions, not enough thought was given to the outcomes governments should be trying to achieve for the community.

Interviewees agreed that most agreements included too many measures. While they acknowledged the value of analysing a large number of indicators, in their view it was generally not appropriate to include detailed indicators on service delivery outputs in performance frameworks of NAs or NPs. Rather the number of performance indicators should be kept to the minimum number necessary to effectively monitor progress in achieving agreed outcomes.

Many noted that the 2010 review of the National Healthcare Agreement had successfully reduced the number of health performance indicators from 70 to 33. Some health officials thought this was still too many, though appreciated that the total spread and number reflected in part the influence of external stakeholder groups.

Survey participants were also asked to provide feedback on the mix of indicators used in performance frameworks. Their responses are summarised in Figure 7.

Figure 7: Suggested changes to the mix of indicators in performance frameworks



As is evident from the above, 85% of survey respondents thought there were too many input and activity indicators included in performance frameworks. Respondents also suggested that there are too many short term measures. This also aligns with observations that the reporting burden of performance frameworks was too high and should be consolidated through a greater focus on outcomes.

Survey participants identified additional areas where the setting and reporting of performance indicators could be improved including:

- a reduction in the duplication of measurement and reporting (86%)
- clearer links between high-level outcomes, indicators and objectives (86%)
- simpler and more cost effective indicators (76%).

Survey free text responses identified other suggestions for improvement:

- consolidation of National Partnerships
- greater use of program logic and alignment between NAs and NPs, and
- verification of reporting provided by jurisdictions.

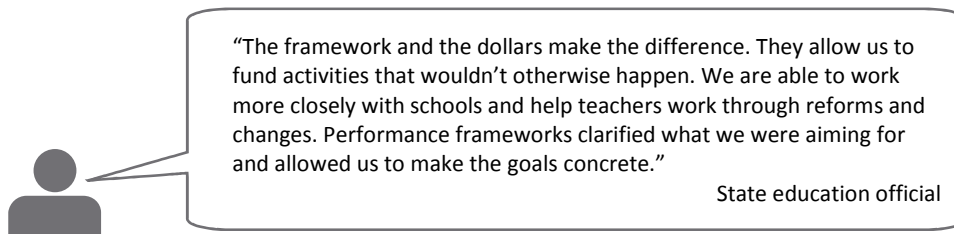
5.5 There were mixed views on the role of reward payments in driving reform

Under the IGA performance framework, there is scope for NPs to include a range of financial mechanisms for the Commonwealth to transfer funding to the states and territories to assist with the delivery of reform, including:

- **reward payments** – which are to be used to reward jurisdictions where their progress achieving reform outcomes and benchmarks has been met
- **facilitation payments** – where funding is provided in advance of progressing or achieving nationally significant reforms, in recognition of the administrative and other costs of initiating those reforms or pursuing continuous improvement in service delivery

- **project payments** – which are made to facilitate the delivery of nationally significant projects by jurisdictions by funding the successful completion of agreed project activities or milestones. They are generally not linked to a reform outcome.

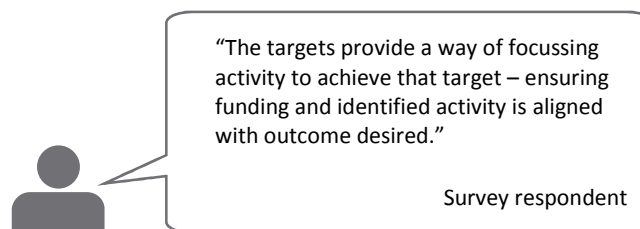
In interviews, most jurisdictions said reward payments had been an important driver of activity as there would be budgetary consequences of not meeting the necessary milestones. Reward payments focussed the attention of central agencies (especially Treasuries) which was helpful in maintaining momentum.



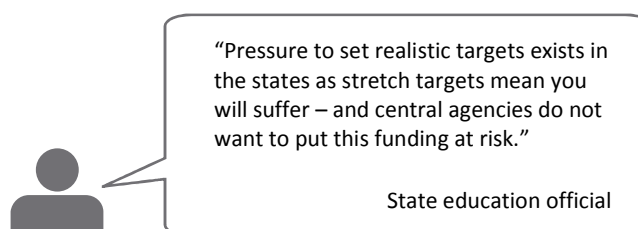
However, this view needs to be balanced against those who saw reward payments as diminishing in value over time, not least because of the extended delay for many jurisdictions in receiving the expected payments. Several survey respondents argued that, for smaller projects, the use of reward payments “imposes a greater cost than benefit” and can be counter-productive. This was particularly the case for smaller jurisdictions.

5.6 Target setting must be consistent and balance ambition with realism

Performance targets need to be set at a level which is challenging enough to motivate activity but not too difficult to achieve so as to be de-motivating. Similarly, targets cannot be too easy to achieve as this will not drive substantive reform activity.



Interviewees observed that the setting of performance targets had not been consistently managed across jurisdictions. Some jurisdictions had set modest performance targets that were relatively simple to achieve, while those jurisdictions which set more ambitious targets did not achieve them and therefore did not receive reward funding despite having made improvements.



States expressed a view that the Commonwealth should play a stronger role in ensuring consistency of target setting across jurisdictions to avoid this occurring.

This feedback from interviews was echoed in some of the survey responses. They included examples of performance frameworks that set targets too high, so “targets were difficult to work with”, or too low, so there was “no drive for better outcomes”.

For example, one jurisdictional respondent stated that targets associated with the NP on Universal Access to Early Childhood Education were “unachievable from the outset”.

6 Implementation and use of performance frameworks has been variable

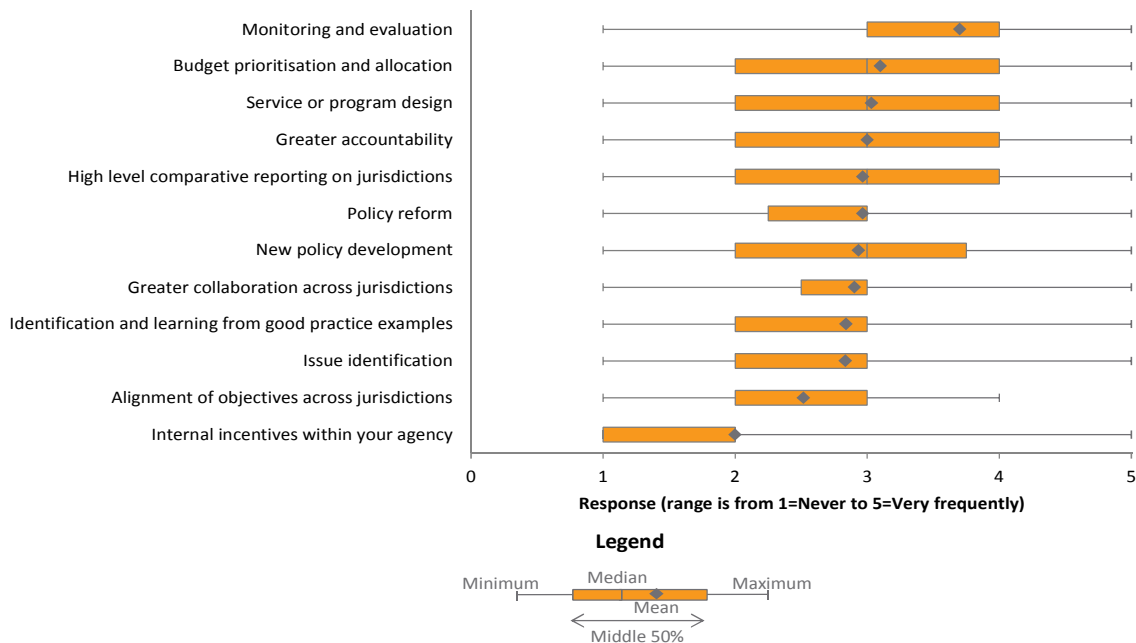
In addition to the specific design elements contained within performance frameworks, there is a range of implementation processes governments are engaged in such as:

1. the preparation, negotiation and implementation of agreements
2. the use of performance framework information locally
3. local accountability mechanisms and examining the extent to which they align activity with federal performance frameworks
4. collaboration and sharing of ideas between jurisdictions
5. local prioritisation and alignment of resources
6. reporting to multiple data authorities.

Each of these processes are important to consider in the context of whether performance frameworks are effective in driving government decision-making and reform as they provide a perspective on the extent to which the performance framework has flow on effects across jurisdictions.

Figure 8 outlines the views of participants on the ways in which performance frameworks are used within their jurisdiction.¹⁷

Figure 8: Uses of the performance frameworks



¹⁷ The chart includes responses from Question 14 ('At what stages in the policy process have you used the performance frameworks in National Agreements and National Partnerships?') and Question 15 ('Have you used the performance frameworks in National Agreements and National Partnerships in any of the following ways?'). The full numerical range of responses is - 1=Never, 2=Rarely, 3=Sometimes, 4=Frequently, 5=Very frequently.

Some observations from these survey responses of note include:

- the use of performance data to inform monitoring and evaluation activity was identified as the most common use by jurisdictions, with 68% of respondents saying their agency did this frequently or very frequently
- there were a wide range of responses for each area with almost all receiving responses ranging from 'never' to 'very frequently' – this may reflect the diversity across NAs and NPs
- other uses of performance framework information included tasks early in the policy cycle, such as budget prioritisation and allocation as well as service or program design, which were both used 'sometimes' or better on average
- cross-jurisdictional uses of performance information were not shown to be strong
- there was little use of the performance framework (or its elements) to guide or inform internal incentives within agencies.

Additional observations on the processes associated with performance frameworks are discussed in more detail in the following sections.

6.1 Performance framework processes helpfully lock in central agency involvement

The IGA created an environment where the flow of payments between the Commonwealth and the states and territories is now centralised through treasury departments rather than occurring between line agencies across jurisdictions.

It was acknowledged in interviews with jurisdictions that one benefit of the performance framework was the increase in central agency involvement in decisions on policy priorities, the negotiation and agreement of NAs and NPs and oversight of service delivery reform.

This increased focus from central agencies was identified as providing a benefit as it generated attention from First Ministers and Treasurers who were keen to drive reform and this flowed down to greater attention being placed on agreements and the success of their implementation.

6.2 A rush to conclude a framework can compromise its effectiveness

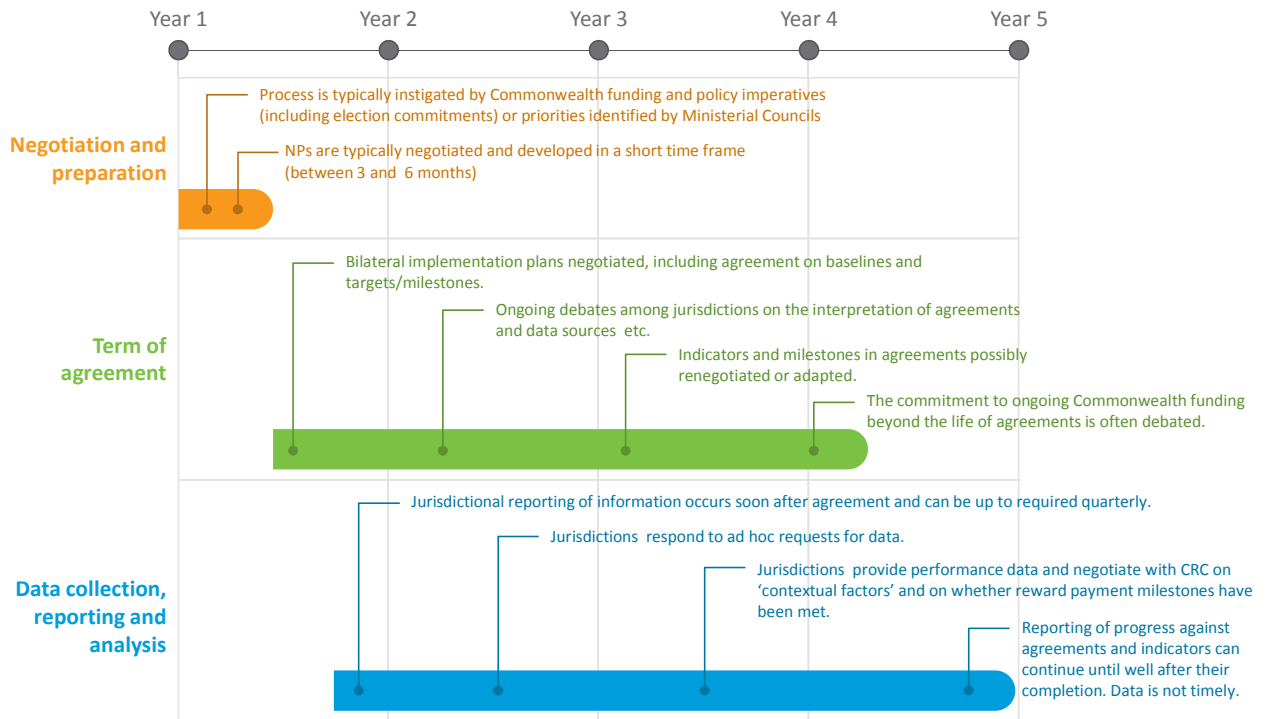
Interviews with jurisdictions identified a common theme that in most cases the preparation and negotiation of agreements under the IGA, primarily NPs, occurred in a compressed timeframe that did not allow full and effective consideration of the policy challenges to be addressed and the best collaborative approaches to addressing these challenges.

The typical timeline for a reform NP is shown in Figure 9.

In many cases, states and territories felt that the Commonwealth was using the NP construct and its access to funding to drive its policy priorities nationally without the necessary evidence base or policy analysis being undertaken.

This rapid approach to developing NPs also impacted the development of outcomes and indicators to support their measurement.

Figure 9: Current state typical timeline for a reform National Partnership Agreement



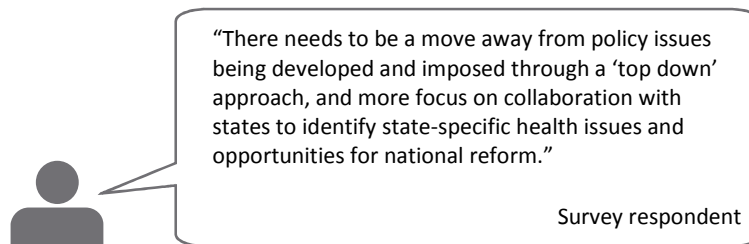
A number of interviewees identified that where the preparation and negotiation of NPAs occurred at a speed that did not allow for rigorous analysis, this quite often led to ongoing debates and negotiations between jurisdictions over the life of agreements about their construction and interpretation, including debates about data, indicators and access to reward payments.

One state official was extremely critical of the level of analysis and rigour that went into developing implementation plans, making the comparison with the level of rigour a private sector company would require if considering investments of this financial magnitude.

Similar views were expressed also in the research survey.

A common theme in the survey responses was a need for the Commonwealth to engage states and territories in policy development earlier and more meaningfully. One respondent argued that timeframes for negotiations are often compressed “at the expense of evidence-based decision-making”. Another argued that the Commonwealth often presents unilaterally determined reform proposals that have “already been through a Commonwealth Cabinet approval process”.

There was a strong agreement with the view that greater analysis and planning up-front would remove a good deal of the downstream problems and disagreements between jurisdictions.



6.3 Jurisdictions' own performance reporting seems to be more commonly used for ongoing monitoring and adjustment

The performance frameworks in NPs require production of information on jurisdictional performance regularly – often quarterly. We were interested to learn whether this process served a dual purpose of a) meeting accountability requirements and b) feeding into ongoing policy evaluation and development.

Interviewees said that such reporting provided a clearer line of sight for central agencies and enabled monitoring of any financial risks (notably the potential failure to qualify for a reward payment) but very few said that there had been use of the data from those reports to adjust policy settings or budget allocations.

While some refocusing of state expenditure and effort will likely have occurred at the level of NAs, interviewees said that much more attention was given to performance information relating to their own jurisdictional goals and targets. Federal performance reporting information was perceived as more of an accountability requirement.

6.4 The performance frameworks are seldom used to drive accountability in jurisdictions

Interviews uncovered little evidence that jurisdictions sought to incorporate targets from federal performance frameworks into their own performance frameworks.

Most jurisdictions expressed a view in interviews that their own state plans and policy priorities were given prominence by their governments and Ministers. In cases where the outcomes or performance indicators of a federal agreement aligned with local outcomes or indicators this was seen to be a happy coincidence or product of the negotiation process but was not given much emphasis.

Similarly, there was little evidence that states and territories translated outcomes or performance measures from federal agreements into the performance expectations of its agency executives.

77% of survey respondents said that they “rarely” or “never” used these measures for internal incentives within their agencies.

The only evidence that performance frameworks in the IGA context generated accountability in jurisdictions was the observation that central agencies took a greater interest in performance against nationally agreed targets, particularly where these were linked to financial incentives such as reward payments.



“The participation of central agencies and the overview of COAG provide weight to the measures and was a strong element behind driving the reforms through.”

Survey respondent

6.5 There is an appetite for greater opportunities to share learnings

Many interviewees commented that the IGA's performance framework was expected to encourage cross-fertilization of ideas and the sharing of good practice, but this goal had not been fully realised.

Information-sharing was happening on an ad hoc basis. For example, a Victorian official mentioned that State's interest in Western Australian research related to a policy initiative on science in schools. They therefore organised a visit to WA for a series of meetings on the research to inform development of Victorian policy. The comment was made that this happens as a matter of course, and is informed often by publicly available comparative data, but it has not become a distinct feature of the environment under the IGA performance framework.

Survey respondents similarly observed that sharing of information at intergovernmental forums and working groups occasionally happened on the sidelines but that this was not an established practice.

In interviews, several people expressed a desire for greater and more systematic sharing of best practice and 'lessons learned'.

6.6 Public reporting is valued but is becoming a crowded space

The federal performance reporting landscape is a crowded one. Jurisdictions commented that there are a number of agencies that report on government performance across various policy areas. Some examples of these reporting agencies are outlined below.

Summary of performance reporting for education and health policy areas (other than COAG Reform Council and Report on Government Services reports)

In the health policy area, agencies responsible for federal performance reporting include:

- Australian and Torres Strait Islander Health Performance Framework
- Australian Institute of Health and Welfare
- National Health Performance Authority
- Independent Hospital Pricing Authority
- State based performance entities including:
 - Victorian Health Services Performance
 - South Australian Health Performance Council
 - Commission on Delivery of Health Services in Tasmania.

In the education policy area, these agencies include:

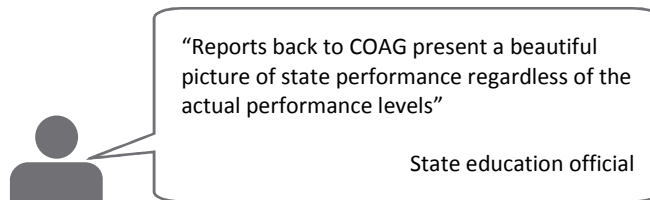
- Australian Curriculum Assessment and Reporting Authority
- Program for International Student Assessment

While the reporting agencies in each field often provide different perspectives or interpretations of performance information, the value-add of each of these to the evidence base in each sector can be questioned. As one interviewee put it “you just use the report that tells the best story”.

This proliferation of performance reporting bodies creates a significant reporting burden for jurisdictions, despite much of the data coming from similar sources. As well as providing data to these entities, agencies are required to engage with them directly on data questions and brief Ministers on their contents and findings, particularly when they are adverse.

In this saturated reporting environment, there does not appear to have been consideration given to the whole-of-life costs of entering agreements and the consequent reporting effort required and how this compares with the expected benefits of the reform or activity.

Given the finite time span of NPs, in many cases associated reporting requirements may offer less value to jurisdictions than ongoing longitudinal reporting through other mechanisms. One exception is the SNE NP which is constructed around a number of one-off competition and regulatory reforms and does not require ongoing reporting.



7 Use of the performance frameworks produced some negative and unintended consequences

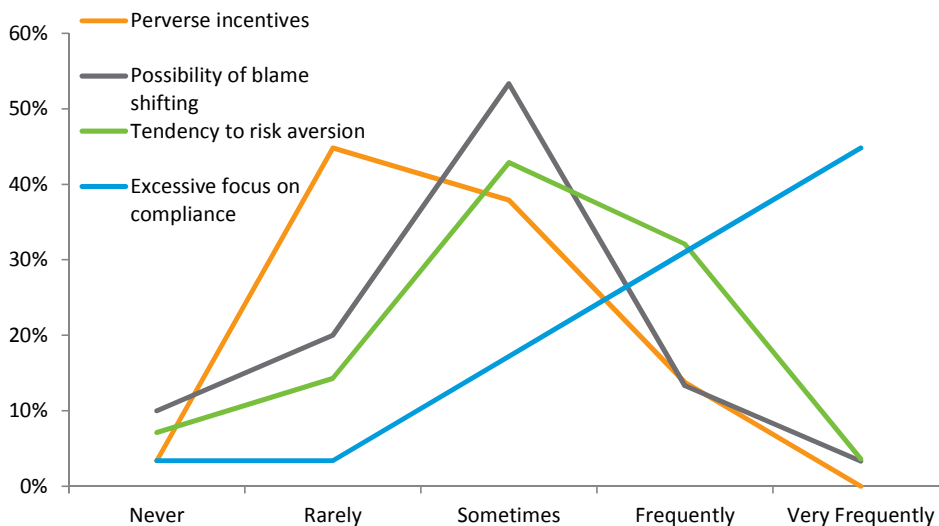
Interview and survey participants were both asked to identify any negative and unintended consequences of the performance frameworks. A number of examples were provided.

Some of these were anticipated (and even resisted) during the preparation and negotiation phases for agreements while others were unexpected results that may have been avoided with better up front planning.

In the survey an excessive focus on compliance was identified as the most significant consequence, and was observed frequently or very frequently by over 75% of respondents. The possibility of blame shifting and tendency to risk aversion were both observed at least sometimes by over 70% of respondents.

Comparative distributions for this question are shown in Figure 10.

Figure 10: Negative and unintended consequences of the performance frameworks



Two examples are discussed in greater detail below:

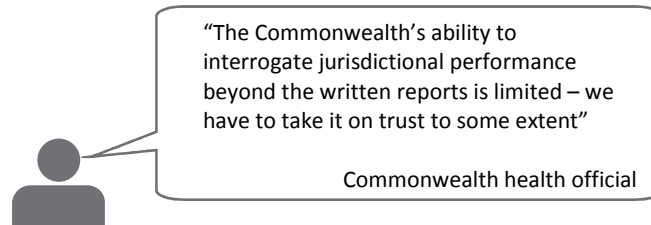
- the excessive focus on compliance, and
- the existence of perverse performance incentives.

7.1 Our interviewees and respondents perceived an excessive focus on accountability under the performance frameworks

Several survey participants cited a need to reduce reporting and regulatory compliance burdens. This was consistent with views expressed in interviews; not just by state and territory officials but also by the Commonwealth.

Similar to the reasons why the Commonwealth retains some level of prescription in the way services are delivered, the accountabilities and responsibilities for the expenditure of public funding create a culture

where officials seek to closely monitor where and how funding is expended by jurisdictions and confirm that jurisdictions are expending these funds in a way consistent with the intent behind their provision.



One survey response, for example, highlighted a need to ensure that “reporting activities under agreements” are commensurate with the “scope and funding” of those agreements. Others suggested that performance frameworks divert “the best policy minds” from reform to compliance.

It is clear that these burdens cannot be done away with entirely, but there is a need to balance “ensuring accountability through regularly publishing data” and “the associated reporting burden that is imposed on government agencies”.

7.2 There is a risk that some performance indicators produce perverse incentives

Interviewees highlighted the importance of ensuring that performance measures and milestones genuinely help assess progress towards outcomes. This requires careful planning to ensure that data is available or collectable, and careful design to ensure the right indicators are selected.

One of the considerations in selecting indicators is that their use should not create perverse incentives for how activity is prioritised or services are delivered.

Most people we interviewed and surveyed said that perverse outcomes were uncommon. However, a few examples were provided of cases where the indicators and measures in a performance framework had distorted effort and/or outcomes. Examples are provided below.

Long stay older patients

The COAG Long Stay Older Patients (LSOP) Initiative was one component of the National Partnership on Health Services. The Initiative’s objectives included:

- reduction in unnecessary hospital admissions, and
- improvement in transition to long-term care for older Australians.

A separate agreement in the same area – the National Partnership Agreement on Financial Assistance for Long Stay Older Patients – followed two years later.

A number of interviewees expressed the view that these agreements’ financial arrangements and associated indicators give rise to perverse incentives. Under the second agreement, for example, states and territories were funded on the basis of the 2006 national LSOP census. As a result, those states and territories with more LSOPs – and therefore you might not be performing well against the LSOP NP indicators of improvement – were being ‘rewarded’ with more funding.



“Reward payments for literacy and numeracy targets were not well designed as it created an incentive for focussing attention on students near the NAPLAN threshold rather than those being left behind.”

Commonwealth education official

National Occupational Licensing

An example of what might loosely be called a ‘perverse incentive’ was put to us in two separate interviews and concerns the National Occupational Licensing System (NOLS) reforms under the Seamless National Economy NP.

In 2008, COAG agreed to develop a NOLS for specified occupations (e.g. lawyers, plumbers and real estate agents). The intent of the system was to harmonise licensing regulation between the states and territories.

The issue (as reported to us) was that the original agreement pre-supposed the solution to the problem of how to allow specified occupations to work seamlessly across borders rather than setting the task of identifying the best solution to the desired outcome. In other words, the reform was directed towards a new national regime rather than exploring alternatives such as mutual recognition.

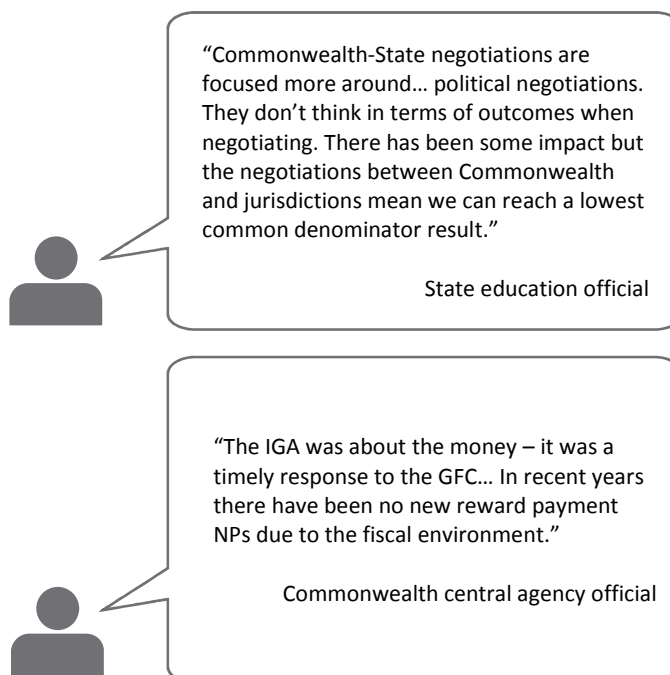
What complicated matters was the inclusion in the agreement of a milestone which would see the establishment of a National Occupational Licensing Authority (NOLA). The incentive for jurisdictions therefore was to focus on establishing a new authority rather than concluding the NOLS (or indeed addressing the core issue via alternative means).

In 2011, the establishment of the Authority was announced and in 2012, the Authority’s office, with a staff of 23, was officially opened. This occurred despite the completion of the NOLS, work on which had become bogged down in a variety of technical issues.

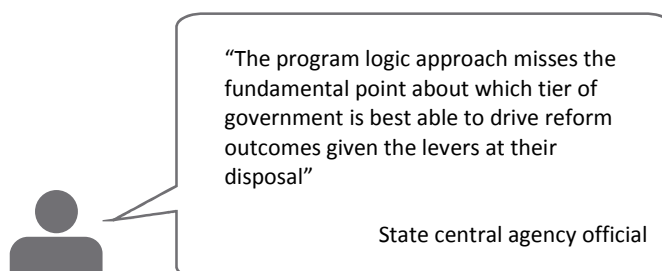
In 2013, COAG decided not to pursue the NOLS and the NOLA was disestablished.

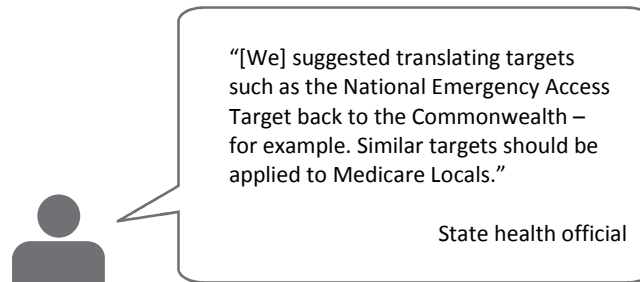
8 There are barriers and enablers to the effective use of performance frameworks

In this section we explore the reasons why performance frameworks in the Australian federal context do not appear to have lived up entirely to the promise of being effective reform levers. Several major changes have affected the dynamics of negotiating and implementing the performance framework – most notably, the shift in the political landscape in Australia since 2008, and the much tighter fiscal situation post the GFC. Many of our interviewees described how these developments had slowed momentum and caused a change in focus.



There are also a number of constants that continue to complicate the degree to which the performance frameworks can influence decision-making related to reform and service improvement. The ever-present ambiguity around the respective roles and responsibilities of the top two tiers of government was cited by several interviewees as a barrier to effective accountability arrangements. Similarly, the reality of Australia’s Vertical Fiscal Imbalance, for some, ensures a power dynamic that is not always conducive to collaborative multi-jurisdictional negotiations.





These well-known issues aside, there are some other contextual factors that emerged in our research as important factors for the successful negotiation and operation of the performance frameworks. We discuss them in turn below.

8.1 Data gaps and lags have yet to be fully addressed

Public sector managers and policy-makers often seek more timely and accurate data to inform their decisions, and (as we have noted) a clear benefit of the IGA performance framework was that it generated more standardised and informative data.

However, it is a perennial challenge to have all data needs met. While the performance frameworks have driven the collection of new data, gaps remain which impede full realisation of the potential for the performance frameworks to drive reform effort and inform decision-making.

Interviewees and survey respondents made this point and also commented that lags between data collection and access were a problem, particularly with respect to population level data. One noted that it was only in the area of disability that the Australian Bureau of Statistics (ABS) had improved the frequency of data collections. In other areas it was not uncommon for ABS surveys to be conducted in January of one year, with results not being available until December of the following year.

In addition, survey respondents from smaller jurisdictions in particular noted that small sample sizes can make it difficult to demonstrate improvements or progress with any statistical certainty.

Interestingly we also heard the view that data will never be perfect and that promoting a culture of evidence-based decision-making, while laudable, could also be a constraining factor. This was a minority view, though it does expose the ongoing tension between the desire for an outcomes focus and the inability to produce definitive data on shifts at the outcome level that are attributable to one or more interventions.

For one interviewee, the debate was often reduced to a discussion of short term outputs that could be leading indicators for higher level outcomes. In this person's view, it was important for the success of major longer term reforms to develop a more sophisticated understanding of what the medium-term targets ought to be.

At the same time, however, the interviewee thought it necessary to resist the temptation to lock such medium-term targets into agreement. In his view, there needed to be a more concrete sense of what the half-way point might be in (for example) ten years. However, as soon as that half-way point becomes the subject of a negotiated agreement, the risks of not meeting the milestone loom large and jurisdictions would be inclined to lower their ambitions.

8.2 The currency of National Partnerships has been devalued

NPs were initially designed as an instrument to drive reform and service delivery improvements. However, in what might be seen as an unintended but understandable consequence of creating this new mechanism, the NP form of agreement for the transfer of funds appears to have become in many ways the standard vehicle for all multilateral (and in some cases bilateral) agreements between the Commonwealth and the states and territories.

Interviewees expressed frustration about the small amounts of money that were now being transferred via negotiated NPs. (An example cited was the National Pre-Natal Anti-Depression Initiative related to Indigenous health in the Northern Territory, which had a value of some \$80,000.) This dilutes the impact of the NP performance frameworks as instruments of reform or significant improvement.

We were told that there are Commonwealth Treasury guidelines with threshold amounts for NPs but it was evident from our interviews that the contents of these guidelines are not widely known.

Related to this, one or two jurisdictional representatives noted that a mechanism exists for checking any departures from the original intent of the IGA regarding the agreements negotiated under its performance framework. However they rarely seem to be invoked or employed. For example, several more expressed the view that too many 'project' NPs had been agreed which could have been simpler grant agreements or other forms of contract, but this had not been picked up.



"The original intent of the IGA was lost as the Commonwealth bureaucracy began to see it as a tool for managing risk and exercising control. There has been a failure to convey and embed the original understanding of what the performance framework was design to do, so the bureaucracy has really struggled"

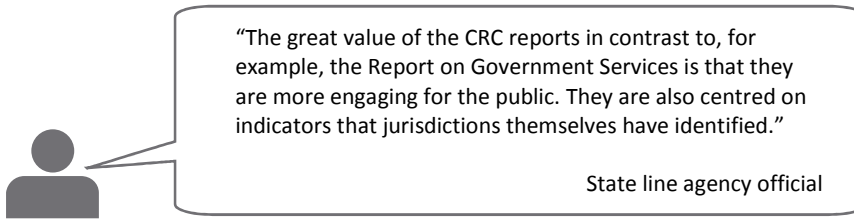
State health official

Asked about this issue, Commonwealth representatives said that they monitored this closely and that there were likely to be agreements which states and territories thought were NPs being negotiated which technically weren't agreements under the IGA. It was difficult to keep track of the negotiations being conducted bilaterally by line agencies as Treasury was not always informed (as it should be).

8.3 Technological changes offer new options for performance reporting

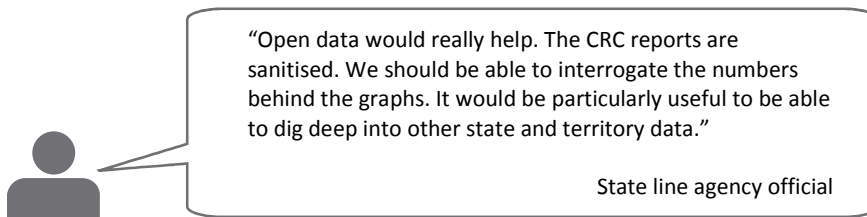
Of particular relevance to the IGA performance framework has been the shift in the last six years towards more open government. This is a response to changing community expectations but also reflects recognition by governments around the country that public release of data is not only intrinsically a good thing in a democracy, it can serve both policy-related and political interests.

This offers some considerable validation of the IGA's performance reporting framework's inclusion of a mechanism for systematically producing performance information that would be publically shared in an accessible format. Interviewees noted that the COAG Reform Council reports were becoming more widely read and contributing to public debate.



A possible offsetting factor is that, as data transparency becomes the ‘new norm’, it arguably becomes a less effective driver of performance. Many of our interviewees indicated, for example, that the CRC reports have become part of a routine cycle of reporting on the most recent publicly-released data. They commented that the multiple sources of performance information make the CRC’s view one among many, and not necessarily the definitive view on performance in a particular area.

In addition, Nous would observe that technological change has altered the way people generate, access and use data. With ever-expanding access to the internet and the ubiquity of smartphones, members of the public provide service or product reviews, download apps that provide real-time data, use internet searches to access the latest statistics and so on. Governments are adapting by developing their own apps and interactive websites.



The implications of this for performance frameworks are that data collection and reporting in the future will likely look quite different. This presents an opportunity for governments to adapt to drive new ways of ensuring accountability and service delivery improvement.

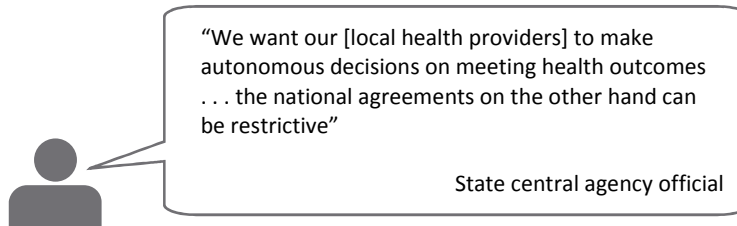
8.4 Trends in public administration reveal new relationships with service providers

Australian jurisdictions are continuing to move away from a model of direct service delivery by governments and contracted arrangements, to more innovative and complex approaches to producing public value. These new models stem from evolving theory on outcomes-based procurement, systems stewardship, co-production of public value and networked governance. Three elements that are common to all are that they are:

- open – the range of players involved in pursuing an agreed outcome is large and diverse
- outcome-focussed – those engaged in the pursuit of an outcome have considerable latitude to determine their own approaches
- reliant on accurate and timely data – particularly data from the ‘coalface’ but also system-wide data.

This is important to considerations of future accountability and performance monitoring of reforms over which governments may have less direct control, and to the issue of dovetailing and complementary (as opposed to overlapping or conflicting) performance frameworks.

Where this broad trend emerged in our research was in the context of discussions about devolution of service delivery. Several jurisdictional representatives, particularly those in the health sector, observed that devolution creates new monitoring regimes at the state level, and that these do not necessarily align well with the performance frameworks in NAs and NPs. The data used to inform policy development is increasingly the data obtained through these state-run processes.



9 Key lessons to inform future options

We note that the process to develop a White Paper on reform of the federation has commenced, creating an opportunity to review the role of performance reporting frameworks in both providing the necessary accountability structures for the flow of funding from the Commonwealth to the states and territories, and to promote evidence-based decision-making in nationally-agreed areas of reform and service delivery improvement.

The logical starting point for such a review would be the many lessons that have been learned through the operationalisation of the IGA's performance framework and the implementation of related funding agreements.

Key lessons, as reported to us over the course of this project, include:

- 1 The value of maintaining an outcomes orientation wherever possible – the best example of this is the National Indigenous Reform Agreement with its 'Closing the Gap' targets, which have proved to be hugely influential in mobilizing coordinated, evidence-based effort.
- 2 'Less is more' with respect to indicators – this was most evident in the health area where the number was halved to focus on those that truly matter. This is both an efficiency and an effectiveness issue.
- 3 Respect the distinction between different types of agreements – in particular, it was apparent that the lines between reform and project NPs had blurred. The type of agreement should determine in large part what performance framework should be embedded in it.
- 4 Maintain the integrity of the reward payment structure – we heard both positive and negative views about the value of reward payments. The negative views reflected in part the cynicism on the part of several people we spoke to that reward payments do not get paid in a timely manner and are not returned to the responsible department.
- 5 Avoid the emergence of overlapping reports on national outcomes – a growing number of reports means it will become harder to find a 'single point of truth' and will compound the reporting burden for governments.
- 6 Maximise the alignment of state, territory and Commonwealth priorities – performance frameworks are more valuable where they line up with related frameworks to support shared goals. If there is not a clear consensus, perhaps the matter is best dealt with bilaterally.
- 7 Surface and address differing expectations – be aware of three areas where balance is required – reform vs. activity; performance improvement vs. accountability; outcomes vs. outputs – and obtain clarity on how that balance should be achieved.
- 8 Do more work beforehand – factor in time to consider at the outset what the data reveals on problem areas and what the response ought to be. This improves the chances of producing the most appropriate performance framework.¹⁸

Nous acknowledges that there is little in this list that will present as 'new' to jurisdictions. Nevertheless it is our hope that by documenting the research findings, governments have a firmer basis on which to develop options for future approaches to performance frameworks in federal financial relations.

¹⁸ Nous has developed an indicative alternative timeline for the development and implementation of performance frameworks which we include at Appendix C

Appendix A Survey results

A.1 Summary of survey responses

The survey attracted 40 responses across all jurisdictions and agency types.¹⁹

The strongest response rates were from SA, Tasmania, ACT and NT who were not part of the interviews. There was a reasonable participation level from other jurisdictions including the Commonwealth, NSW and Victoria, while there were fewer responses from Queensland and WA.

All agency types responded with Departments of Education the best represented (14).

There were 17 responses from Central Agencies and 23 from line agencies.²⁰

Table 2 provides a summary of response rates by agency.

Table 2: Response rates by agency

| Jurisdiction | First Minister | Treasury | Education | Health | Other | Total |
|------------------------------|----------------|----------|-----------|----------|----------|-----------|
| Australian Capital Territory | | | 3 | | 1 | 4 |
| Commonwealth | | | 2 | 1 | | 3 |
| New South Wales | 3 | | 1 | | | 4 |
| Northern Territory | 2 | 2 | 3 | | | 7 |
| Queensland | 2 | | | | | 2 |
| South Australia | 1 | 2 | 2 | 4 | | 9 |
| Tasmania | 1 | 2 | 1 | 3 | | 7 |
| Victoria | 1 | | 2 | | | 3 |
| Western Australia | | 1 | | | | 1 |
| Total | 10 | 7 | 14 | 8 | 1 | 40 |

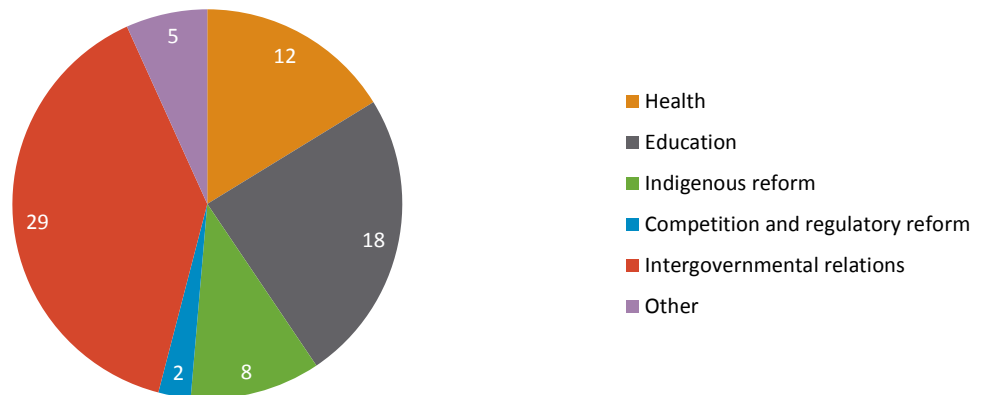
The survey respondents also covered a range of policy areas (respondents could select more than one policy area). The largest group of respondents worked in intergovernmental relations. Education, Health and Indigenous reform were all adequately represented. There were only 2 respondents in the area of competition and regulatory reform.

Response rates by policy area are shown in Figure 11.

¹⁹ Some responses were partial. All responses which included a response other than basic agency information were included. However, most quantitative questions attracted at least 30 responses and qualitative questions at least 20 responses.

²⁰ This figure is calculated from survey response rates summarised in Table 2, rather than Question 2 which asked respondents to self-identify as either a central or line agency.

Figure 11: Response rates by policy area



Survey respondents had knowledge of a broad range of NAs and NPs, with all NAs and NPs in scope having at least 10 respondents who were familiar with them. Respondents were most heavily oriented towards the National Education Agreement and relevant NPs. The National Healthcare Agreement and related NPs also had high response rates.

Fewer respondents worked with the National Partnership to deliver a Seamless National Economy but a reasonable sample was still achieved.

Response rates by knowledge of NAs and NPs are summarised in Question 5 of the survey results.

A.2 Survey questions and results

The survey questions and results are shown in this section. All responses which included at least one answer outside of basic agency information (questions 1-4) were included.

All quantitative results have been produced in full. Where results are shown for multiple choice table questions, the percentages should be read across rows (each row should sum to 100%).

Free text responses have not been included, to respect the confidentiality of the individual survey responses. Thematic analysis of free text responses is provided in the body of this report.

1. Which government do you work for?

Total responses: 40

| Value | Count | Per cent |
|------------------------------|-------|----------|
| Commonwealth | 3 | 7.5% |
| New South Wales | 4 | 10.0% |
| Victoria | 3 | 7.5% |
| Queensland | 2 | 5.0% |
| Western Australia | 1 | 2.5% |
| South Australia | 9 | 22.5% |
| Tasmania | 7 | 17.5% |
| Northern Territory | 7 | 17.5% |
| Australian Capital Territory | 4 | 10.0% |

2. Do you work for a central or line agency?

Total responses: 40

| Value | Count | Per cent |
|----------------|-------|----------|
| Central agency | 19 | 47.5% |
| Line agency | 21 | 52.5% |

3. Which department/agency do you work for?

Total responses: 40

Free text response.

See Table 2 for a summary cross-tabulated with the responses to Question 1.

4. Which policy areas do you work in? (select one or more)

Total responses: 40

| Value | Count |
|-----------------------------------|-------|
| Health | 12 |
| Education | 18 |
| Indigenous reform | 8 |
| Competition and regulatory reform | 2 |
| Intergovernmental relations | 29 |
| Other | 5 |

Other responses included:

- “All intergovernmental policy areas”
- “All intergovernmental relations areas”
- “Disability, Housing”
- “Fiscal Management”
- “Housing, Disability”

5. Which of the following National Agreements and National Partnerships are (or have been) relevant to your work?

Total responses: 40

| National Agreement/National Partnership | Count |
|--|-------|
| National Education Agreement | 28 |
| National Partnership on Indigenous Early Childhood Development | 28 |
| National Partnership on Improving Teacher Quality | 26 |
| National Partnership on Literacy and Numeracy | 26 |
| National Partnership on Low Socio-Economic Status School Communities | 26 |
| National Partnership on Early Childhood Education | 26 |
| National Partnership on the National Quality Agenda for Early Childhood Education and Care | 25 |
| National Partnership on Youth Attainment and Transitions | 24 |
| National Healthcare Agreement | 23 |

| National Agreement/National Partnership | Count |
|---|-------|
| National Partnership on Closing the Gap in Indigenous Health Outcomes | 23 |
| National Indigenous Reform Agreement | 23 |
| National Partnership on Improving Public Hospital Services | 22 |
| National Partnership on Hospital and Health Workforce Reform | 22 |
| National Partnership on Preventative Health | 21 |
| National Partnership on Essential Vaccines | 21 |
| National Partnership on Empowering Local Schools | 21 |
| National Partnership on Health Infrastructure | 20 |
| National Partnership on Health Services | 19 |
| National Partnership on e-Health | 19 |
| National Partnership Agreement to Deliver a Seamless National Economy | 13 |
| Other | 6 |

Other responses included:

- “All NAs and NPAs where the Territory is a party.”
- “Effectively all of the above plus. The IGAFRR broad framework and operation is my team's focus.”
- “NPA on Improving Health Services in Tasmania”
- “National Education Reform Agreement”
- “National Partnership on Improving Health Services in Tasmania”
- “The broad suite of agreements covered by the IGA FFR, including the above”

6. Describe your attitude to the following statement: The introduction of the IGA performance framework has helped to drive reform in my jurisdiction.

Total responses: 17

(question was only asked if respondent answered 'Central agency' to Question 2)

| Value | Count | Per cent |
|----------------------------|-------|----------|
| Strongly disagree | 0 | 0.0% |
| Disagree | 1 | 5.9% |
| Slightly disagree | 2 | 11.8% |
| Neither agree nor disagree | 1 | 5.9% |
| Slightly agree | 4 | 23.5% |
| Agree | 6 | 35.3% |
| Strongly agree | 3 | 17.7% |
| Not applicable | 0 | 0.0% |

7. To what extent do you agree with the following statement? The introduction of performance frameworks related to National Agreements and National Partnerships has helped to drive reform in my specific policy area.

Total responses: 19

(question was only asked if respondent answered 'Line agency' to Question 2)

| Value | Count | Per cent |
|----------------------------|-------|----------|
| Strongly disagree | 1 | 5.3% |
| Disagree | 0 | 0.0% |
| Slightly disagree | 1 | 5.3% |
| Neither agree nor disagree | 4 | 21.1% |
| Slightly agree | 9 | 47.4% |
| Agree | 4 | 21.1% |
| Strongly agree | 0 | 0.0% |
| Not applicable | 0 | 0.0% |

8. How has the IGA performance framework influenced the approach to reform activities in your specific policy area?

Total responses: 33

Free text responses

9. Do you think that the same reform activities would have taken place in the absence of the IGA performance framework?

Total responses: 30

Free text responses

10. The performance frameworks in National Agreements and National Partnerships include a number of design features. Do you think that the use of the following features has been effective in driving reform and decision-making? If you are familiar with multiple National Agreements and National Partnerships, please give your overall perspective in the table and differentiate between individual National Agreements and National Partnerships in the comments field.

| | Strongly disagree | | Disagree | | Slightly disagree | | Neither agree nor disagree | | Slightly agree | | Agree | | Strongly agree | | Not applicable | | Responses |
|---|-------------------|---|----------|---|-------------------|---|----------------------------|---|----------------|----|-------|----|----------------|---|----------------|---|-----------|
| | % | # | % | # | % | # | % | # | % | # | % | # | % | # | % | # | |
| A program logic linking together inputs, outputs and outcomes | 2.9% | 1 | 8.8% | 3 | 23.5% | 8 | 20.6% | 7 | 11.8% | 4 | 23.5% | 8 | 8.8% | 3 | 0.0% | 0 | 34 |
| A focus on high-level outcomes | 0.0% | 0 | 8.8% | 3 | 11.8% | 4 | 2.9% | 1 | 26.5% | 9 | 32.4% | 11 | 17.6% | 6 | 0.0% | 0 | 34 |
| Performance indicators and performance measures | 0.0% | 0 | 5.9% | 2 | 11.8% | 4 | 14.7% | 5 | 32.4% | 11 | 26.5% | 9 | 8.8% | 3 | 0.0% | 0 | 34 |
| Reward payments | 0.0% | 0 | 17.6% | 6 | 8.8% | 3 | 23.5% | 8 | 8.8% | 3 | 29.4% | 10 | 11.8% | 4 | 0.0% | 0 | 34 |
| Targets and benchmarks | 0.0% | 0 | 3.0% | 1 | 9.1% | 3 | 12.1% | 4 | 27.3% | 9 | 42.4% | 14 | 3.0% | 1 | 3.0% | 1 | 33 |
| Milestones | 0.0% | 0 | 3.0% | 1 | 9.1% | 3 | 27.3% | 9 | 21.2% | 7 | 33.3% | 11 | 6.1% | 2 | 0.0% | 0 | 33 |

20 respondents provided comments

11. Decisions about which outcomes to measure, what targets and milestones to set, and the level of reward payments can influence the effectiveness of performance frameworks in National Agreements and National Partnerships. Do you think that the design/content of the following features has been effective in driving reform and decision-making? If you are familiar with multiple National Agreements and National Partnerships, please give your overall perspective in the table and differentiate between individual National Agreements and National Partnerships in the comments field.

| | Strongly disagree | | Disagree | | Slightly disagree | | Neither agree nor disagree | | Slightly agree | | Agree | | Strongly agree | | Not applicable | | Responses |
|--|-------------------|---|----------|---|-------------------|---|----------------------------|----|----------------|---|-------|---|----------------|---|----------------|---|-----------|
| | % | # | % | # | % | # | % | # | % | # | % | # | % | # | % | # | |
| Identified outcomes drove activities in my jurisdiction. | 5.9% | 2 | 2.9% | 1 | 5.9% | 2 | 23.5% | 8 | 20.6% | 7 | 26.5% | 9 | 11.8% | 4 | 2.9% | 1 | 34 |
| Targets and benchmarks were ambitious but achievable. | 0.0% | 0 | 12.1% | 4 | 24.2% | 8 | 24.2% | 8 | 18.2% | 6 | 18.2% | 6 | 0.0% | 0 | 3.0% | 1 | 33 |
| Milestones were appropriate. | 2.9% | 1 | 8.8% | 3 | 8.8% | 3 | 35.3% | 12 | 23.5% | 8 | 14.7% | 5 | 5.9% | 2 | 0.0% | 0 | 34 |
| The quantum of reward payments was sufficient. | 6.1% | 2 | 18.2% | 6 | 6.1% | 2 | 36.4% | 12 | 15.2% | 5 | 15.2% | 5 | 3.0% | 1 | 0.0% | 0 | 33 |

19 respondents provided comments

12. Do you think the following steps in the implementation of the IGA performance framework have been effective in driving reform and decision-making?

| | Strongly disagree | | Disagree | | Slightly disagree | | Neither agree nor disagree | | Slightly agree | | Agree | | Strongly agree | | Not applicable | | Responses |
|---|-------------------|---|----------|----|-------------------|---|----------------------------|----|----------------|----|-------|----|----------------|---|----------------|---|-----------|
| | % | # | % | # | % | # | % | # | % | # | % | # | % | # | % | # | # |
| Specification of outcomes | 2.9% | 1 | 0.0% | 0 | 14.7% | 5 | 11.8% | 4 | 26.5% | 9 | 26.5% | 9 | 17.6% | 6 | 0.0% | 0 | 34 |
| Specification of indicators and measures | 0.0% | 0 | 3.0% | 1 | 12.1% | 4 | 24.2% | 8 | 15.2% | 5 | 30.3% | 10 | 15.2% | 5 | 0.0% | 0 | 33 |
| Setting of targets and benchmarks | 0.0% | 0 | 3.0% | 1 | 18.2% | 6 | 21.2% | 7 | 12.1% | 4 | 39.4% | 13 | 3.0% | 1 | 3.0% | 1 | 33 |
| Linking of targets and benchmarks to funding | 0.0% | 0 | 9.4% | 3 | 15.6% | 5 | 12.5% | 4 | 25.0% | 8 | 31.3% | 10 | 3.1% | 1 | 3.1% | 1 | 32 |
| Setting of milestones | 0.0% | 0 | 5.9% | 2 | 17.6% | 6 | 23.5% | 8 | 14.7% | 5 | 32.4% | 11 | 5.9% | 2 | 0.0% | 0 | 34 |
| Collection of information by Commonwealth and State and Territory governments | 0.0% | 0 | 30.3% | 10 | 18.2% | 6 | 21.2% | 7 | 18.2% | 6 | 9.1% | 3 | 3.0% | 1 | 0.0% | 0 | 33 |
| Analysis of information by Commonwealth and State and Territory governments | 3.0% | 1 | 24.2% | 8 | 18.2% | 6 | 27.3% | 9 | 21.2% | 7 | 6.1% | 2 | 0.0% | 0 | 0.0% | 0 | 33 |
| Comparisons within a jurisdiction over time | 0.0% | 0 | 5.9% | 2 | 8.8% | 3 | 26.5% | 9 | 14.7% | 5 | 32.4% | 11 | 11.8% | 4 | 0.0% | 0 | 34 |
| Cross-jurisdictional comparisons | 2.9% | 1 | 20.6% | 7 | 17.6% | 6 | 26.5% | 9 | 17.6% | 6 | 11.8% | 4 | 2.9% | 1 | 0.0% | 0 | 34 |
| Discussion of contextual factors | 2.9% | 1 | 14.7% | 5 | 11.8% | 4 | 20.6% | 7 | 29.4% | 10 | 8.8% | 3 | 8.8% | 3 | 2.9% | 1 | 34 |
| Public reporting by the COAG Reform Council | 0.0% | 0 | 9.1% | 3 | 3.0% | 1 | 30.3% | 10 | 27.3% | 9 | 30.3% | 10 | 0.0% | 0 | 0.0% | 0 | 33 |

14 respondents provided comments

13. Can you provide any examples of how your agency has used the performance frameworks in the IGA, National Agreements and National Partnerships to drive reform?

Total responses: 24

Free text responses

14. At what stages in the policy process have you used the performance frameworks in National Agreements and National Partnerships?

| | Never | | Rarely | | Sometimes | | Frequently | | Very Frequently | | Responses |
|--------------------------------------|-------|---|--------|---|-----------|----|------------|----|-----------------|---|-----------|
| | % | # | % | # | % | # | % | # | % | # | # |
| Issue identification | 10.0% | 3 | 20.0% | 6 | 50.0% | 15 | 16.7% | 5 | 3.3% | 1 | 30 |
| New policy development | 6.7% | 2 | 23.3% | 7 | 43.3% | 13 | 23.3% | 7 | 3.3% | 1 | 30 |
| Policy reform | 3.3% | 1 | 23.3% | 7 | 50.0% | 15 | 20.0% | 6 | 3.3% | 1 | 30 |
| Service or program design | 6.7% | 2 | 23.3% | 7 | 33.3% | 10 | 33.3% | 10 | 3.3% | 1 | 30 |
| Budget prioritisation and allocation | 3.3% | 1 | 30.0% | 9 | 30.0% | 9 | 26.7% | 8 | 10.0% | 3 | 30 |
| Monitoring and evaluation | 6.7% | 2 | 6.7% | 2 | 20.0% | 6 | 43.3% | 13 | 23.3% | 7 | 30 |

8 respondents provided comments

15. Have you used the performance frameworks in National Agreements and National Partnerships in any of the following ways?

| | Never | | Rarely | | Sometimes | | Frequently | | Very Frequently | | Responses |
|---|-------|----|--------|----|-----------|----|------------|---|-----------------|---|-----------|
| | % | # | % | # | % | # | % | # | % | # | # |
| Alignment of objectives with other jurisdictions | 12.9% | 4 | 41.9% | 13 | 25.8% | 8 | 19.4% | 6 | 0.0% | 0 | 31 |
| Greater collaboration with other jurisdictions | 9.7% | 3 | 16.1% | 5 | 54.8% | 17 | 12.9% | 4 | 6.5% | 2 | 31 |
| Access to high level comparative reporting on jurisdictions | 9.7% | 3 | 25.8% | 8 | 32.3% | 10 | 22.6% | 7 | 9.7% | 3 | 31 |
| Greater accountability for jurisdictions, agencies and programs | 16.1% | 5 | 12.9% | 4 | 35.5% | 11 | 25.8% | 8 | 9.7% | 3 | 31 |
| Internal incentives within your agency | 36.7% | 11 | 40.0% | 12 | 13.3% | 4 | 6.7% | 2 | 3.3% | 1 | 30 |
| Identification and learning from good practice examples | 9.7% | 3 | 22.6% | 7 | 45.2% | 14 | 19.4% | 6 | 3.2% | 1 | 31 |

7 respondents provided comments

16. What lessons can be learnt from existing uses of the performance frameworks related to National Agreements and National Partnerships?

Total responses: 22

Free text responses

17. What barriers exist to use of the IGA performance framework or its elements in government decision-making? A number of examples are offered below. If you feel any have been excluded, please identify them in the comments field.

| | Strongly disagree | | Disagree | | Slightly disagree | | Neither agree nor disagree | | Slightly agree | | Agree | | Strongly agree | | Not applicable | | Responses |
|---|-------------------|---|----------|---|-------------------|---|----------------------------|---|----------------|---|-------|----|----------------|----|----------------|---|-----------|
| | % | # | % | # | % | # | % | # | % | # | % | # | % | # | % | # | # |
| Limited availability of timely and high quality data | 0.0% | 0 | 6.7% | 2 | 0.0% | 0 | 16.7% | 5 | 20.0% | 6 | 26.7% | 8 | 30.0% | 9 | 0.0% | 0 | 30 |
| Competing priorities for policy makers | 0.0% | 0 | 0.0% | 0 | 6.7% | 2 | 20.0% | 6 | 20.0% | 6 | 33.3% | 10 | 20.0% | 6 | 0.0% | 0 | 30 |
| Implementation challenges such as staffing and resourcing constraints | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 16.7% | 5 | 16.7% | 5 | 26.7% | 8 | 36.7% | 11 | 3.3% | 1 | 30 |

10 respondents provided comments

18. Can you provide any examples of instances in which performance frameworks in National Agreements and National Partnerships have impeded reform?

Total responses: 20

Free text responses

19. Do you think any performance indicators should be improved? Select from the list of proposed improvements and please specify in the comments field which indicators you think should be improved.

Total responses: 29

| Value | Count | Per cent |
|--|-------|----------|
| Easier to understand | 11 | 37.9% |
| Clearer timelines for meeting performance targets | 9 | 31.0% |
| More easily comparable between jurisdictions and over time | 14 | 48.3% |
| Simpler and more cost effective to measure | 22 | 75.9% |
| Clearer links between high-level outcomes, indicators and objectives | 25 | 86.2% |
| Removal of duplication | 25 | 86.2% |
| Other | 3 | 10.3% |

13 respondents provided comments

20. Do you think the mix of performance measures should be changed? If you are familiar with multiple National Agreements and National Partnerships, please give your overall perspective in the table and differentiate between individual National Agreements and National Partnerships in the comments field.

| | Too many | | Right amount | | Too few | | Responses |
|---|----------|----|--------------|----|---------|----|-----------|
| | % | # | % | # | % | # | # |
| Inputs (e.g. budget allocations, staffing resources) | 84.6% | 22 | 15.4% | 4 | 0.0% | 0 | 26 |
| Activities (e.g. number of programs run, locational distribution of services) | 84.6% | 22 | 15.4% | 4 | 0.0% | 0 | 26 |
| Outputs and performance indicators (e.g. school attendance rates, infant mortality rates) | 32.0% | 8 | 52.0% | 13 | 16.0% | 4 | 25 |
| Outcomes (e.g. improved Indigenous healthcare, equal access to education) | 4.0% | 1 | 56.0% | 14 | 40.0% | 10 | 25 |
| Short term measures | 58.3% | 14 | 20.8% | 5 | 20.8% | 5 | 24 |
| Medium term measures | 21.7% | 5 | 43.5% | 10 | 34.8% | 8 | 23 |
| Long term measures | 20.8% | 5 | 54.2% | 13 | 25.0% | 6 | 24 |

11 respondents provided comments

21. Have you observed any negative or unintended consequences of the IGA performance framework?

| | Never | | Rarely | | Sometimes | | Frequently | | Very Frequently | | Responses |
|---|-------|---|--------|----|-----------|----|------------|---|-----------------|----|-----------|
| | % | # | % | # | % | # | % | # | % | # | # |
| Perverse incentives (e.g. element of performance framework unintentionally encourages poor service delivery to some groups) | 3.4% | 1 | 44.8% | 13 | 37.9% | 11 | 13.8% | 4 | 0.0% | 0 | 29 |
| Excessive focus on compliance (e.g. focus is on compliance with reporting requirements rather than using performance information) | 3.4% | 1 | 3.4% | 1 | 17.2% | 5 | 31.0% | 9 | 44.8% | 13 | 29 |
| Tendency to risk aversion (e.g. focus on performance framework creates a disincentive for innovative policy due to risk of failure) | 7.1% | 2 | 14.3% | 4 | 42.9% | 12 | 32.1% | 9 | 3.6% | 1 | 28 |
| Possibility of blame shifting (e.g. performance framework encourages agencies to shift blame for poor performance) | 10.0% | 3 | 20.0% | 6 | 53.3% | 16 | 13.3% | 4 | 3.3% | 1 | 30 |

11 respondents provided comments

22. Do you see any need to change the processes that are in place for establishing and managing National Agreements, National Partnerships and bilateral implementation plans?

Total responses: 25

Free text responses

23. If you are willing to be contacted for any clarifications and follow up discussion during the remainder of the research project, please provide your name and contact details. (Optional)

Responses withheld for respondent confidentiality

Appendix B Interviews conducted

The interviews conducted by Nous are shown in the table below.

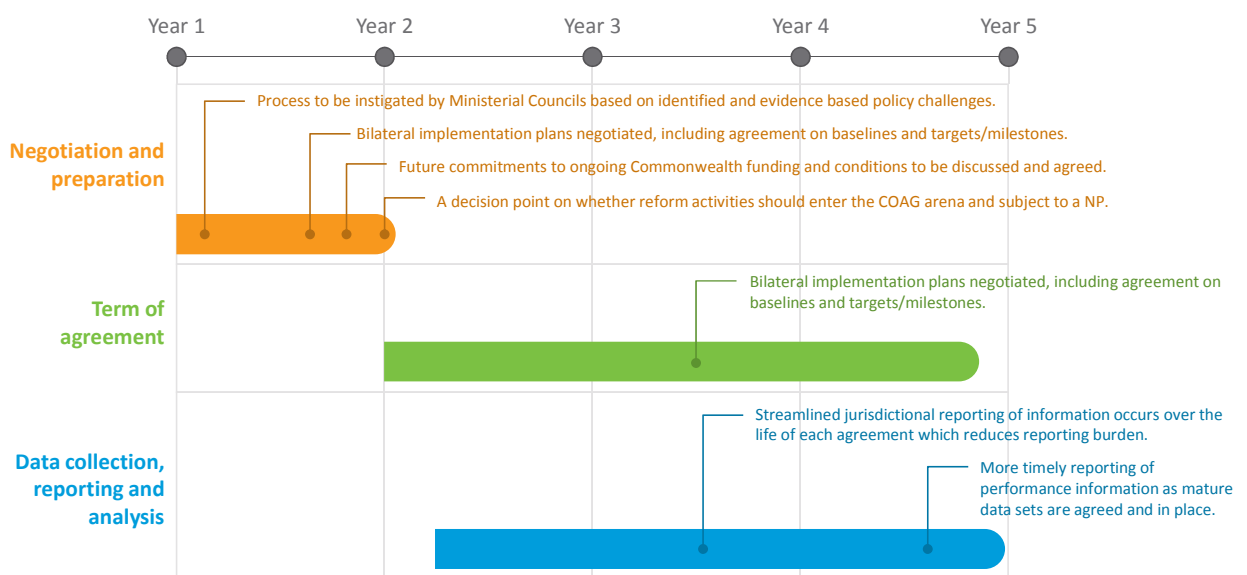
| Jurisdiction | Agency | Date |
|-------------------|---|-------------|
| Commonwealth | Department of Prime Minister and Cabinet | 6 March |
| | Treasury | 12 March |
| | Department of Education | 7 March |
| | Department of Health | 5 & 6 March |
| | Department of Social Services | 6 March |
| New South Wales | Department of Premier and Cabinet | 3 March |
| | The Treasury | 3 March |
| | Ministry of Health | 3 March |
| | Department of Education and Communities | 3 March |
| | Department of Family and Community Services | 3 March |
| Victoria | Department of Premier and Cabinet | 5 March |
| | Department of Treasury and Finance | 11 March |
| | Department of Education and Early Childhood Development | 11 March |
| | Department of Health | 11 March |
| Queensland | Department of the Premier and Cabinet | 4 & 7 March |
| | Queensland Treasury and Trade | 24 February |
| | Department of Education, Training and Employment | 21 February |
| | Queensland Health | 21 February |
| | Department of Communities, Child Safety and Disability | 21 February |
| Western Australia | Department of Treasury | 11 March |
| | Department of Education | 7 March |

Appendix C Timeline for developing performance frameworks

In the interests of considering how to extend the preparatory work for negotiating performance frameworks in NPs, Nous developed this alternative timeline.

It should be compared with Figure 9: Current state typical timeline for a reform National Partnership Agreement to provide an alternative view on the timeframes around the development and implementation of performance frameworks.

Figure 12: Indicative process for the development and implementation of NPs



This was developed after a discussion with an interviewee on a similar approach taken in the development of the Aboriginal and Torres Strait Islander Health Performance Framework.

Aboriginal and Torres Strait Islander Health Performance Framework

The Aboriginal and Torres Strait Islander Health Performance Framework monitors progress in closing the gap in Indigenous Australian health outcomes, health system performance and broader determinants of health.

This performance framework was developed after detailed analysis and consultation between health officials and in the absence of decisions about future performance based funding.

This development process has arguably resulted in a more robust and enduring performance framework. Performance indicators were lifted from this framework directly into NAs and NPs looking at Indigenous health outcomes.

It is likely that such a timeline will be tested by political pressures and emerging priorities where governments and Ministers feel compelled to act quickly to address 'urgent' or high profile issues.

However, setting a new 'default' timeline could enable, in some cases at least, allow for more analysis in advance in preparation of negotiations on funding and the performance framework should look like.