Government of **Western Australia**
Department of **Treasury**

Outcome Based Management

Guidelines for use in the Western Australian Public Sector

March 2023

Foreword

The Outcome Based Management (OBM) performance management framework has been a feature of Western Australian public sector governance for appropriation-funded agencies since 1998. These updated guidelines supersede the 2017 OBM Guidelines and provide up-to-date resources and process-related advice to agencies as they prepare Key Performance Indicators and maintain OBM structures.

Contents

Chapter 1: Introduction

Executive Summary

Performance management is a systematic process that agencies use in order to improve the effectiveness of the organisation in achieving its goals. Western Australia's performance management framework is referred to as Outcome Based Management (OBM). The OBM is the formal mechanism that ensures agencies are:

- reporting their Key Performance Indicators (KPIs);

- accountable to the Western Australian Parliament;

- transparent to the general public;

- achieving the Government's goals; and

- delivering the Government's desired outcomes across the public sector.

It is a key requirement that the KPIs established in the OBM are clearly described and provide non-specialist readers with an understanding of technical information. Treasurer's instruction 904[1] (TI 904) details the requirements an agency must adhere to when reporting on the KPIs established in their OBM.

The OBM enables agencies to monitor how the services they deliver achieve their intended outcomes; there is a focus on results, not effort. The services described in the OBM must be disaggregated to a point that allows meaningful understanding of an agency's actions and performance. By doing this, agencies also enhance their capacity to effectively manage their organisation and ability to provide a meaningful contribution to the Western Australian community.

About These Guidelines

These updated guidelines supersede the 2017 OBM guidelines and have primarily been updated to reflect changes to the Government Goals during this time. Parts of the document refer the reader to legislative requirements and other government publications (e.g. TI 904, Treasury's Evaluation Guide). As these may change from time to time, or apply differently among departments, please ensure you consult these resources in conjunction with the OBM Guidelines. Further guidance on the OBM may be obtained by contacting your Treasury Analyst.

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[1] See TI 904 for more details.

Chapter 1 explains the fundamental elements of the OBM and how the process relates to agency-level strategic and operational planning. Chapters 2 and 3 provide agency officers with detail on developing the individual elements of the OBM. Chapter 4 outlines how agencies can apply the OBM – in the Budget process, as part of their reporting processes, and for external accountability. Agency officers can consult Appendix 1 for a list of general resources, or Appendix 2 for a series of practical checklists. Appendix 3 contains an example of an OBM that has been amended to more clearly identify services and outcomes. Appendix 4 contains the Agency Returns OBM Structure Amendments template that agency officers should use to submit any proposed OBM changes.

Elements of OBM

Government Goals

A Government goal is an expression of high-level policies and/or priorities that support the Government's vision. The Government Goals announced during the 2022-23 Budget are:

- **Strong and Sustainable Finances:** Responsible, achievable, affordable budget management.

- **WA Jobs Plan:** Diversifying the WA economy, creating local jobs for the future.

- **Safe, Strong and Fair Communities:** Supporting our local and regional communities to thrive.

- **Investing in WA's Future:** Taking climate action and supporting the arts, culture and sporting sectors to promote vibrant communities.

Outcomes

Outcomes are defined as the effects, impacts, results on or consequences for the community, environment or target clients of government services. All outcomes in the Western Australian public sector are expressed as Agency-Level Government Desired Outcomes. Agency outcomes are intended to bring about behavioural change or satisfy a community or client need, and are required to link to Government Goals.

Services

A service is the supply of an activity or good to a user external to the agency providing the services. They can be classified as outputs, programs, or policy advice. The external reporting of services is at a level of disaggregation that conveys a meaningful understanding of an agency's performance. In order to enhance the comprehensiveness of the OBM reports, stakeholders would benefit if more agencies disaggregated their services to a greater extent. This could include providing greater detail (both on day-to-day operations and resource allocation) to enable the public to understand how the agency achieves the specified outcomes.

Key Performance Indicators

Relevant and appropriate KPIs provide an overview of the critical or material aspects of outcome achievement (effectiveness indicators) and service delivery (efficiency indicators). While some KPIs measure technical and complex information, it is important that they are meaningful and clearly expressed so as to be useful to a general audience. The KPI performance targets require a clear rationale, including any interjurisdictional standards or benchmarks that have contributed to the establishment of the target. See Appendix 2, Table A for a comparison of the OBM elements.

The OBM Process

Figure 1 provides an overview of the OBM process. In the first instance, agency planning generates OBM elements. The first of these is agency-level Government desired outcomes, which the agency's Minister confirms on behalf of Government. At this stage agencies also determine which services would contribute to the achievement of the desired outcomes, and set KPIs to assess how well they are doing.

As agencies deliver their services, they generate performance information that is evaluated and assessed. The information is then reported internally and externally in the form of KPIs. These reports assist with an agency's to determine to what extent they have achieved their desired outcomes. The reports feed back into the agency's strategic planning, including consideration of what services will be delivered in the future.

Figure 1: The OBM Process
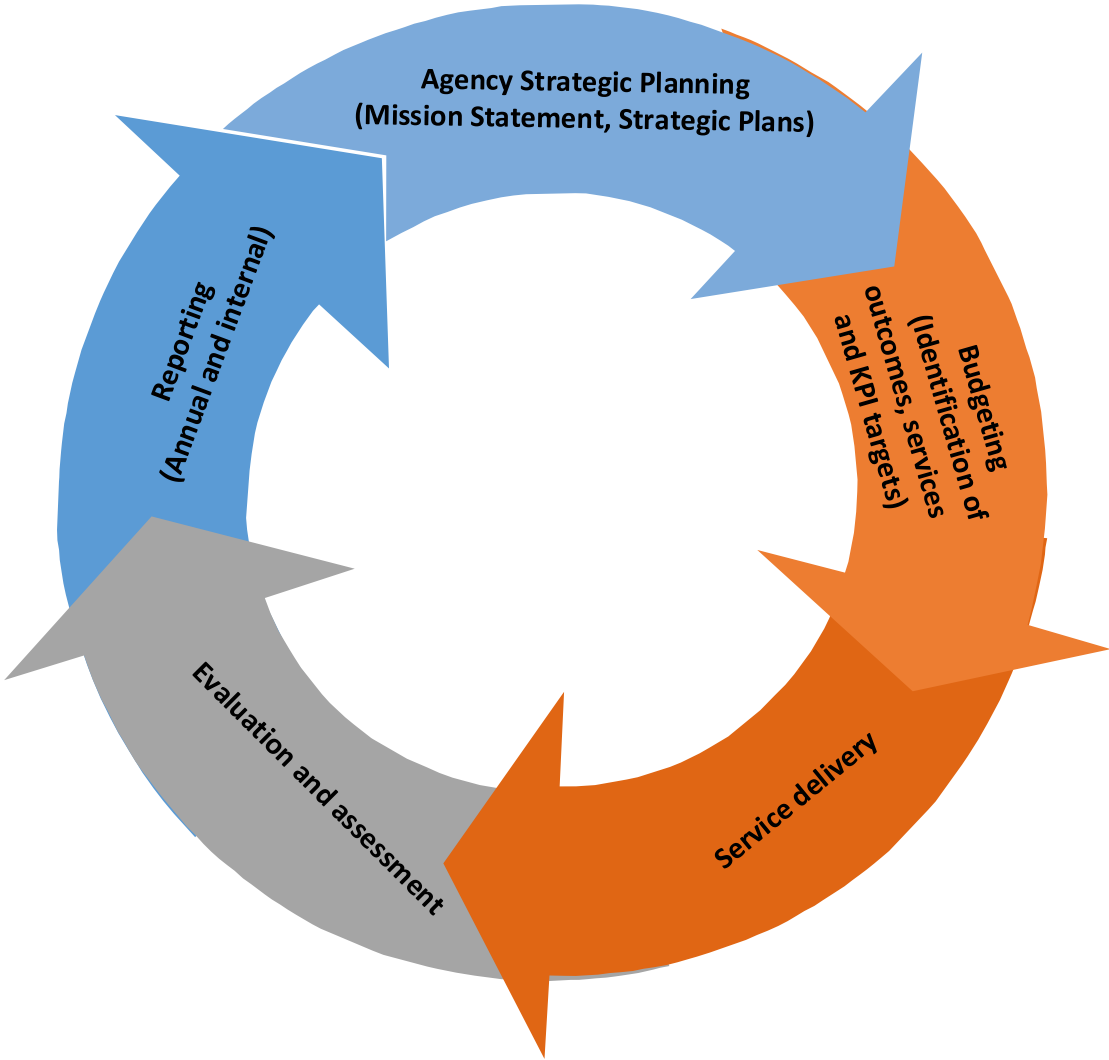
Chapter 2: Developing Desired Outcomes and Services

Outcomes

Building on the definition provided in the Introduction, outcomes may also be described as why services are delivered, as opposed to how services are delivered.

Specifying agency-level outcomes

An agency-level outcome needs to clearly state the end result or impact that the agency is contributing to - it is a focus on results, not effort. Well-designed agency-level outcomes express a single intent. A desired outcome that contains multiple intentions will need to be separated into individual outcomes. It is important that outcomes are not at cross-purposes or too high level to be measured. See Appendix 2, Table B for supporting information on specifying agency-level outcomes.

Appropriation-funded agencies articulate outcomes through the Annual Reporting and Budget processes, while public non-financial corporations and public financial corporations' outcomes are specified under associated enabling legislation or as approved by the agency's Board.

The relationship between Government Goals, agency-level outcomes and services is illustrated in Figure 2, with an example from the Department of Justice provided in Figure 3.
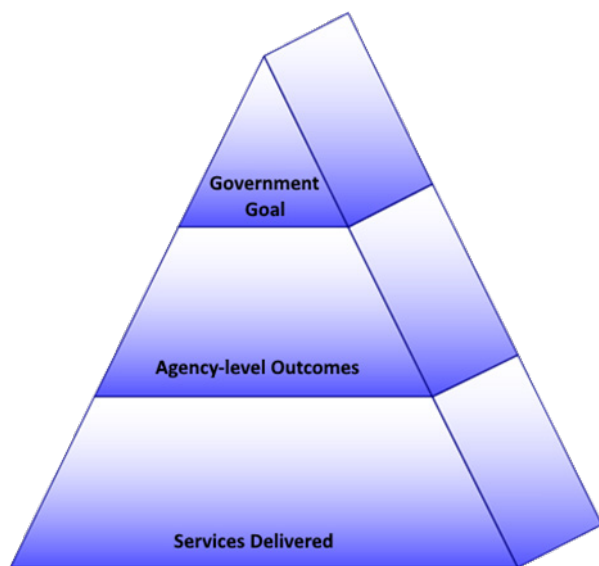
Figure 2: Performance Management Hierarchy

Figure 3: Department of Justice Example

Influences on agency outcomes

Ideally, desired outcomes are within the agency's control. In some cases, an agency may recognise the external influence of other agencies, different levels of government, or other circumstances (such as demographic changes), on its ability to achieve these outcomes. When agencies report on outcomes that are subject to external influences, it is recommended that they include commentary on those influences.

Where more than one agency is contributing to a desired outcome, agencies are encouraged to coordinate their efforts and reporting. A lead agency should be identified that has overall responsibility for coordinating the delivery of, and reporting on, that outcome. Each support agency should include its contribution to the overall Government desired outcome in its own reporting.

Services

After identifying the Government Goals and desired outcomes that an agency contributes to, each agency needs to determine what services it will deliver to help achieve the desired outcomes. Agencies that have applied the OBM can clearly demonstrate the link between desired outcomes and the services they are seeking resources for in the Budget process. See Appendix 2, Table B for supporting information on developing a disaggregated list of agency services.

Defining services

Government agencies typically deliver three types of services:

- Outputs: a standard, discrete unit (e.g. an activity or project) that can be measured in terms of quantity and cost, and cost per unit can be calculated with reasonable accuracy;

- Programs: that operate in a continuous manner, and deliver non-standard units that cannot be calculated with reasonable accuracy; and

- Policy advice: typically a defined service for central agencies. Where a line agency provides policy advice as a material activity, this can be included in their OBM.

Specifying services to best achieve outcomes

When specifying services, agency officers could ask these types of questions:

- What services are delivered, or should be delivered, by the agency?

- What outcomes are the services addressing? Are they consistent with the Government's goals and strategic outcomes?

- What results are the services generating?

- If a particular service ceased, what would be the consequences?

- Who has responsibility for the delivery of the service?

Level of service specification

Finding the right level of service definition to assist management and reporting is ultimately a matter of judgment by individual agencies and their Ministers. An appropriate degree of disaggregation of services (clearly describing what each service delivers) enables better analysis of the data.

Due to the range of agencies utilising these Guidelines, it is not appropriate to provide specific information on how best to disaggregate services. However, some other points to consider when determining the level of service specification are:

- reviewing the agency's corporate structure or cost centres[2] to better identify the services that the agency delivers;

- considering the materiality of the resources involved;

- determining the relationship of the services to achievement of desired outcomes;

- recognising that too few services will obstruct the transparency of the agency's functions, resulting in opaque agency operations;

- ensuring that the services listed are *not* activities and tasks that staff perform to contribute to the delivery of a service;

- considering if it is possible to aggregate activities to form one service (but only those that are similar in nature); and

- ensuring the provision of adequate information for Government decision-making and Parliamentary scrutiny.

Generally, agencies tend to have too few services reported in their OBM structures to form meaningful links to their desired outcomes and/or produce KPIs that are adequate for decision making. However, it is important to note there is no 'one-size-fits-all' requirement when it comes to reporting on services, and the focus is on reporting at a level that is relevant and helpful to the reader.

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[2] See the Department of Treasury's *Costing and Pricing of Government Services Guidelines*.

Chapter 3: Developing Key Performance Indicators

Performance indicators enable performance to be measured, monitored, evaluated, reported, and improved. They relate to both effectiveness and efficiency, and can assist with managing and improving performance across the organisation. Transparent reporting of indicators ensures the agency is accountable for the expenditure of public monies. The Commonwealth Government has developed a comprehensive guide[3] to developing good performance information. As a starting point, agency officers are encouraged to read this document in conjunction with the OBM Guidelines. Agencies are also encouraged to consult with relevant internal stakeholders and their Treasury analyst. See Figure 4 and Appendix 2, Table B for supporting information on developing KPIs.

TI 904 mandates the reporting of KPIs, which is consistent with the annual advice to agencies by the Department of Treasury regarding the content of Budget Papers. It is beneficial if the reasons behind the performance target for each KPI are clearly explained (e.g. any interjurisdictional standards or benchmarks contributing to the target) in the agency's Annual Report, to ensure the reader can assess the validity of the performance target.

Characteristics of Good KPIs

TI 904 requires KPIs to be relevant, appropriate, and fairly represent indicated performance. This means that performance indicators logically relate to the needs of stakeholders, enable readers to assess an agency's performance (including in some instances a comparison of performance over time) and are free from bias. As well as these requirements, indicators are most useful where they:

- adhere to the SMART[4] principles described on the Department of Treasury's Program Evaluation webpage and in the Department of the Premier and Cabinet's ERC Handbook[5];

- are developed in consultation with major stakeholders – the Minister, the Department of Treasury, agency staff and key customer groups;

- include an examination of the indicators currently being used or developed by other organisations or peak bodies in the same field[6];

- have a sound basis for the targets and against which performance will be assessed;

- facilitate benchmarking as a means of assessing performance;

- ensure that the suite of KPIs cover the most important parts of agency activity, and that they are the best way of measuring activity; and

- can be used for internal management as well as for external reporting.

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[3] See the Commonwealth Government Resource Management Guide #131: *Developing performance measures*.

[4] Specific, Measurable, Achievable, Realistic, and Time-Bound. See the Program Evaluation webpage.

[5] See page 8 of the *ERC Handbook*.

[6] Other examples of indicators can be obtained from sources such as interjurisdictional comparisons, the Productivity Commission's Annual Report on Government Services (RoGS), and in a variety of publications released by the Commonwealth Grants Commission or Australian Bureau of Statistics.

Establishing KPIs

Effectiveness Indicators

Effectiveness indicators *help to determine* if the agency's desired outcomes have been *achieved through service delivery*. Ideally, effectiveness indicators identify as clearly as possible the causal relationship between the service(s) and the outcome. It is recognised that there may be lags between the delivery of services and achievement of desired outcomes, therefore it may be appropriate to estimate the timing of outcome achievement and utilise agreed milestones to indicate progress. An outcome may also be influenced by factors outside the agency's control, as discussed in Chapter 2, which would require supporting narrative for reporting on effectiveness.

An agency may have a number of effectiveness indicators to determine performance against an outcome, however too many indicators can collectively paint a confusing picture of whether the outcome is actually being achieved. Some factors that agency officers can consider include:

- the complexity of the indicators, and whether or not stakeholders and non-specialists can understand any technical explanations;

- if the level of agency control in achieving the outcome is clear, to maximise transparency and accountability; and

- if a cost effectiveness indicator is required, where a cost efficiency indicator is not feasible.

Efficiency Indicators

Efficiency indicators *monitor the relationship* between the services delivered and the resources used to *produce the service*. As such, these indicators can be used to demonstrate an entity's relative efficiency when compared with benchmarks such as previous results, internally established goals and objectives, generally accepted norms or standards, or results achieved by other jurisdictions or similar organisations. Efficiency indicators compare inputs and outputs and can be expressed as:

- cost efficiency: the comparison of input to output (resources used divided by number of units produced), which details the cost of the resources used in dollars per unit of output; or

- productivity: the comparison of output to input (number produced divided by resources used, holding other things constant), where the inputs are usually time-related.

Consider which type of indicator will provide the most value in determining whether a service is being delivered efficiently. For example, cost per annum to deliver a unit of service could be based on many different factors and not be comparable over time, whereas the number of units produced per annum could be compared over time, by jurisdiction, or against an established benchmark. See Appendix 2, Table B for comparative examples of cost efficiency and productivity indicators.

Process of Developing KPIs

For some agencies with mature reporting practices, the process of setting their performance indicators will only require a refinement of the existing KPIs. For others, whether because they are redesigning their agency's services, are newly established, or have experienced a significant Machinery of Government change, a more extensive process may be required. It is important that KPIs are established in a way that enables changes in effectiveness and efficiency to be monitored over time, in order to provide meaningful information to internal and external stakeholders. Figure 4 provides agencies with an overview of the KPI development process, which can be amended according to the agency's specific needs.

Figure 4: Overview of the KPI development process

1. Ensure that the skillset of staff assigned to the team includes a mix of both technical ability and strategic management.

2. Review the existing OBM and identify the linkages between government goals, desired outcomes, and services.

3. Review the agency's current performance against existing KPIs.

4. Undertake research and environmental scanning to confirm if existing KPIs are still relevant. Consider best practice examples and interjurisdictional or interorganisational comparisons.

5. Develop KPIs in consultation with internal and external stakeholders.

6. Establish appropriate data and data collection methods, and consider including time series data so that trends can be easily identified.

7. Review the KPIs to ensure they can be reported on and meet the SMART principles, and set appropriate performance targets.

8. Ensure the KPIs are approved by the agency's executive and Minister(s), and the Under Treasurer.

9. Communicate the KPIs to the team, to promote an organisational culture that emphasises achievement of outcomes, self-evaluation, staff participation, and consultation.

10. Undertake an evaluation of the agency's performance against the performance targets.

11. Complete the required internal and external reporting requirements, including consideration of how the format and presentation style will convey the outcomes achieved.

12. Use performance information for agency planning and management at both strategic and operational levels.

Chapter 4: Applying the OBM

Benefits of Performance Monitoring and Reporting

Agencies can realise tangible benefits as a result of the effective use of performance monitoring and reporting. These benefits include improved efficiency, effectiveness, planning, management and resource allocation.

The OAG[7] identified that in agencies with a mature approach to managing performance, the reporting of KPIs goes beyond basic accountability and performance; KPIs support and reflect operational management. TI 904 prescribes the mandatory requirements of KPIs and their reporting for agencies, but it does not preclude the application of other, consistent, management methodologies.

OBM and the Budget

This document is not intended to provide in-depth advice on all processes associated with Budget planning. Please discuss these requirements with your Manager, contact your Treasury Analyst, read the most recent Budget Circular, or visit the WA Government website.

OBM Reviews

Generally, as part of the Mid-year Review Circular, Treasury requests that agencies considering changes to their OBM structures for the following year's Budget contact their Treasury Analyst to begin discussing the process and proposed changes. Once consultation has occurred with Treasury, agencies must submit a formal request. Before submitting this request, it is advisable that the agency also obtains feedback from the OAG on the proposed changes. The request must be submitted to Treasury by 31 December to ensure there is enough time to seek approval from the Under Treasurer and capture the changes in the Budget Papers. See Appendix 4 for the Agency Returns OBM Structure Amendments template.

Funding Submissions

OBM is intended to assist decision-making by key stakeholders through providing details on shifts in key indicators over time and within years and how resources should best be allocated to achieve desired outcomes[8].

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[7] See the OAG's report Beyond Compliance: Reporting and managing KPIs in the public sector.

[8] The Australian Productivity Commission's *What Works to Improve Service Outcomes: Draft Reporting Framework* (currently in draft format) provides Federal agencies with methods to effectively link performance evaluation and funding; Western Australian agencies may wish to consult this resource to determine if they can adapt the methodology to suit their purposes.

In this regard, if an agency Budget submission will increase the agency's Total Cost of Services (TCOS) by $20 million or more across the forward estimates period, or by 2% or more in the Budget year, the associated impact on the agency's existing OBM structure should be quantified for the Government's consideration.

If the impact of the proposed increase to the agency's TCOS cannot be quantified through the agency's current services and KPIs, consideration should be given to how the OBM structure can be improved such that the impact can be measured.

Budget Paper No. 2

Agency Statements

Agency Budget Statements are presented in Budget Paper No. 2, Chapter 3[9]. A key component of each appropriation-funded agency Budget Statement is its OBM structure and related performance information. The primary target audience for this information is Parliament, although it is also accessible by the public once the State Budget is released.

The agency allocates its total expenses/TCOS across its identified services according to its OBM structure, which provides an estimated annual cost for each service. The agency's TCOS relates to operational expenditure and does not include direct expenditure on capital works (aside from depreciation expense) or administered expenditure.

Agencies' strategic planning and reporting in relation to asset needs and capital works expenditure is governed by the Strategic Asset Management Framework[10] (SAMF), not the OBM. Additionally, asset needs that are identified through the SAMF process are specified in the agency's Strategic Asset Plan.

Administered expenses, such as some grants and subsidy payments, do not form part of an agency's services – by definition they are not controlled and therefore do not constitute OBM information. However, activities associated with payments of such grants and subsidies would be treated as a service provided by the agency, particularly where the associated cost is material.

The agency's KPIs are published in its Budget Statement with targets for the Budget year, and actual and estimated results for the previous two years. Significant variations between actuals, estimates and targets require explanation and agencies will need to be prepared to discuss these results and targets in forums such as Parliamentary Estimates Committee hearings.

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[9]   See the Western Australian Government's Our State Budget website.

[10]   See the Department of Treasury's SAMF webpage.

Government Trading Enterprise (GTE) and Asset Investment Program Statements

Financial and performance information for most GTEs is published in Budget Paper No. 2. The remaining GTEs, and agencies not fully funded by Parliamentary appropriation from the Consolidated Account, report only their Asset Investment Programs in Budget Paper No. 2. These agencies report their OBM, where applicable, in their Annual Report and other planning documents.

Reporting and Accountability

In addition to Budget requirements, performance reporting is required for a variety of reasons. See Appendix 2, Table B for supporting information on reporting considerations.

Public Corporations

Public corporations prepare annual corporate planning documents, including a Strategic Development Plan (SDP) and a Statement of Corporate Intent (SCI), which contain their performance related information. The SDP is a rolling plan with a five-year outlook while the SCI looks at the first year in detail. In some cases, applicable legislation specifies the matters that are to be included in the SDP and SCI, and this generally includes reference to performance targets and other measures against which financial and non-financial performance may be reviewed.

Annual Reports

The *Auditor General Act 2006* s.15(1) requires the Auditor General to audit financial statements, KPIs, and other information, as submitted by agencies under the *Financial Management Act 2006* s.63(1)[11]. More specifically, TI 904 requires that a key effectiveness indicator is developed for each agency-level Government desired outcome and one key efficiency indicator for each service. Additional KPIs should be published where they add value.

In order to facilitate meaningful comparison and assessment of agency performance, the KPIs audited and published in the annual report should be the same as those published in either the Budget Statements or the SDP and SCI. Annual reports are public documents that are tabled in Parliament and are available on the Parliament and agency websites. The annual report provides a significant opportunity for government agencies to publish their achievements. Further guidance for agencies preparing annual reports can be obtained from the Western Australian Government website[12].

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[11] See the OAG Guidelines on *Financial and Performance Information in Annual Reports*.

[12] See the *Annual Reporting Guidelines*.

As with other financial reporting, agencies should (as far as possible) adopt streamlined reporting. To address the needs of readers of the annual reports, agencies should report on relevant and material Key Performance Indicators, their expected outcomes and significance to the agency's Government Goals, including the progress made thereon. The use of clear, simple language that is easy to understand will make agency annual reports more reader-friendly and enable Parliament, the public and other stakeholders to better understand agency performance.

Resource Agreements

Most appropriation-funded agencies are subject to Resource Agreements signed by the Chief Executive Officer, Minister, and Treasurer (and a representative of the statutory board for a statutory authority).

Resource Agreements link OBM performance information - desired outcomes, services and KPIs – to the Government's financial targets. Within the constraints of the Government's financial targets, signatories to the resource agreements commit to their respective roles in regard to providing resources, delivering services and achieving outcomes.

Internal reporting

KPIs are well designed when they can be used as both management tools and for internal reporting. Management should be aware of progress towards the annual targets in order to take corrective action if progress is not satisfactory.

Appendix 1: Resources

Key Contacts

In the first instance, please contact the Treasury Analyst responsible for the relevant agency.

Department of Treasury

Postal address:
Locked Bag 11
Cloisters Square WA 6850

Telephone: 08 6551 2777
Email: info@treasury.wa.gov.au
Web: www.wa.gov.au/organisation/department-of-treasury

Public Sector Commission

The Public Sector Commission can advise on government reporting requirements, and can refer agencies to other publications and relevant information.

Postal address:
Locked Bag 3002
West Perth WA 6872

Telephone: (08) 6552 5000
E-mail: admin@psc.wa.gov.au
Web: www.wa.gov.au/organisation/public-sector-commission

Office of the Auditor General

The Office of the Auditor General is able to offer feedback on KPIs.

Postal address:
Perth BC
PO Box 8489
PERTH WA 6849

Telephone: (08) 6557 7500
Email: info@audit.wa.gov.au
Web: www.audit.wa.gov.au

Helpful Links

- [Annual Reporting Guidelines](#)

- [Australian Bureau of Statistics](#)

- [Beyond Compliance: Reporting and managing KPIs in the public sector](#)

- [Commonwealth Government Resource Management Guide #131: *Developing performance measures*](#)

- [Commonwealth Grants Commission](#)

- [Department of the Premier and Cabinet's ERC Handbook](#)

- [Department of Treasury's Costing and Pricing Government Services](#)

- [Department of Treasury's Program Evaluation webpage](#)

- [Department of Treasury's State Budget website](#)

- [Financial and Performance Information in Annual Reports](#)

- [*Financial Management Act 2006*](#)

- [Strategic Asset Management Framework](#)

- [Treasurer's instruction 904](#)

- [Report on Government Services](#)

- [What Works to Improve Service Outcomes Reporting Framework](#)

Appendix 2: OBM Guidance

Table A below provides a summary of the elements of the OBM framework to assist in the development and/or refinement of the agency's OBM structure.

Elements of the OBM

	Desired Outcomes	*Services*	*Effectiveness KPIs*	*Efficiency KPIs*
Description	Summarises the agency's intentions.	The outputs, programs, or policy advice delivered by the agency.	The measure of and extent to which a specific desired outcome has been achieved.	A measure that compares inputs to outputs.
Purpose	Outlines *why* the agency exists. Enables the agency to focus their performance reporting and resource allocation.	Indicates *what* is being delivered to achieve the desired outcomes. Allows stakeholders to specifically identify how resources have been allocated.	Allows the agency to illustrate the extent to which the desired outcomes have been met.	Allows the agency to express how efficiently the service was delivered. Enables the agency to benchmark against other jurisdictions.
Features	Describes a singular purpose. Describes a specific achievement. Must be measurable and assessable.	Must be focussed on external users. Links to the desired outcome Disaggregated to the point that service delivery is clear to the reader. Must be measurable and assessable. May align to the agency's corporate structure.	Establishes a causal relationship to the desired outcome. Comparable with other service providers or jurisdictions over time.	Establishes a relationship between inputs and the desired outcome. Comparable with other service providers or jurisdictions over time.

The following checklists in Table B are provided to assist in the development of agency-level desired outcomes, agency services, KPIs, performance targets and reporting. There is also a comparison of efficiency indicators to assist in their development.

Outcome Checklist

Characteristic	Check
Is it consistent with one of Government Goals?	
Does it describe an end result, impact, or consequence for the community or target client group?	
Does it describe 'why' an agency delivers services, rather than 'what' or 'how' is delivered?	
Is it well aligned with the agency's mission or purpose?	
Does it have a strategic focus, without being pitched at too high a level?	
Does the outcome express a single intent?	
Is it designed to avoid perverse incentives on staff and managerial behaviours?	
Can the outcomes potentially be assessed using SMART criteria?	
Is it consistent with any enabling legislation?	

Service Specification Checklist

Characteristic	Test	Check
External Focus	Does the service describe a distinct service or group of activities delivered to external customers?	
Strategic focus	Can a link be demonstrated between the service and one or more of Government Goals (and a strategic outcome where appropriate)?	
Clarity	Is the service information pitched at the right level to assist stakeholders and the general public to understand what is being delivered?	
Measurability	Can the service be routinely measured so that the Government will know if it is getting the services for which it has allocated resources?	
Comparability	Does the service specification enable comparison of the performance of existing and potential providers of the service?	
Structural alignment	Does the service closely align with the organisational structure of the agency?	

Key Performance Indicator Checklist

Characteristic	Check
Are there clear links between Government Goals, agency desired outcomes, and services?	
Are the requirements of TI 904 and the FMA met?	
Does the number of KPIs reflect the size and complexity of the agency?	
Does the KPI describe what is to be measured, as opposed to the desired direction of change?	
Can data be readily collected and reported against the indicator when required?	
Is the KPI phrased in such a way that any technical terminology is clearly understandable?	
Overall, do the KPIs enable assessment of service delivery by key stakeholders?	
Do effectiveness indicators assess the extent to which desired outcomes are being achieved?	
Do efficiency indicators assess the extent to which inputs/resources are used efficiently?	
Does the KPI facilitate comparison with other service providers?	
Have the KPIs been endorsed by the agency's executive?	
Does the KPI assist agency leadership with strategic planning and resource allocation?	

Performance Targets Checklist

Characteristic	Check
Does it represent a balance between being realistic and challenging?	
Is it achievable within the agency's approved resources?	
Can data be collected and reported against the targets?	
Are targets expressed simply?	
Is there a clear rationale behind the reason why a target was set at a particular level?	
Do stakeholders regard the targets as appropriate?	
Do the targets enable key stakeholders to make an accurate assessment of the agency's performance?	
Is there consistency with the agency's strategic plan?	
Have the targets been formally endorsed by the accountable authority?	
Are targets consistent with Government's overarching goals and strategic outcomes?	
Are the targets consistent with advice provided in Treasury's Evaluation Guide?	

Reporting Requirements Checklist

Characteristic	Check
Are the KPIs reported in the Annual Report consistent with the Budget Papers?	
Are there any declarations, comments, or information in the audited Annual Report that are inconsistent with the Budget Papers?	
Is the data reported in a way that enables meaningful comparison, particularly when an agency has modified its KPIs since the last report?	
Are the KPIs utilised for internal as well as external reporting?	

Comparison of Efficiency Indicators

Unit cost	Productivity
Cost per student graduated	Students graduated per semester
Cost per kilometre of road repaired	Kilometres of road repaired per year
Cost per permit issued	Number of permits processed per employee
Cost per phone call	Phone calls handled per hour

Appendix 3: OBM Example

This Appendix provides a brief example of how an agency applied the concepts discussed in these guidelines. Between the 2021-22 and 2022-23 Budgets, Infrastructure WA (IWA) updated its OBM structure, with the number of desired outcomes and services both increasing from one to two. The additional desired outcome provides more meaningful information on what the agency aims to achieve, and the disaggregation of services more clearly defines how the allocation of its resources are used to achieve those outcomes. In addition, new effectiveness indicators were developed for the additional desired outcome and service to enable transparent reporting.

The rationale for the changes to IWA's OBM include:

- IWA transitioned from developing the State Infrastructure Strategy (the Strategy) to focusing on monitoring implementation of the Strategy; and

- IWA's Phase Two functions (assessment, planning, coordination and reporting of major government infrastructure proposals) commenced midway through 2021-22.

A comparison of how the definitions and reporting for IWA's OBM were updated is shown in the following table. The full version of IWA's OBM is available in the 2022-23 Budget Papers.

Table C

Comparison of IWA's 2021-22 and 2022-23 OBM

2021-22			
Desired Outcome	*Service*	*Key Effectiveness Indicators*	*Key Efficiency Indicators*
An informed government on infrastructure matters, needs and priorities.	Development of the State Infrastructure Strategy	Completion of specific State Infrastructure Strategy delivery milestones Completion of stakeholder events to facilitate consultation of key State Infrastructure Strategy milestones	Average cost per full-time equivalent (FTE) to deliver the State Infrastructure Strategy

2022-23			
Desired Outcomes	*Services*	*Key Effectiveness Indicators*	*Key Efficiency Indicators*
An informed government on infrastructure matters, needs and priorities.	Development, Monitoring and Reporting on Implementation of the State Infrastructure Strategy	Undertaking of State Infrastructure Strategy functions	Average cost per FTE to undertake State Infrastructure Strategy functions
Effective and efficient government infrastructure planning and coordination.	Assessment of Major Infrastructure Proposals	Undertaking of major infrastructure proposal assessment functions: • assessment of proposals; and • publication of guidelines.	Average cost per FTE to undertake major infrastructure proposal assessment functions

Appendix 4: Agency Returns OBM Structure Amendments

The below templates must be used by agencies when proposing amendments to their OBM reporting framework for the Under Treasurer's (or the ERC's) consideration.

It is expected that whenever an agency is seeking to amend its OBM reporting framework structure that it consults with the relevant Department of Treasury agency analyst prior to submitting the proposed framework to the Under Treasurer for consideration. Further, to ensure that newly developed KPIs are relevant it is expected that agencies also obtain feedback from the OAG as required, prior to the finalisation of any submission.

It is important that in addition to the below templates being completed by agencies when submitting revisions to their OBM structure that covering advice is provided, including:

- overarching justification for the proposed amendments (with specific details by component included in the relevant template below);

- a summary of significant changes and justification;

- a summary of consultation and issues identified in that consultation; and

- how the proposed changes will increase stakeholders' (e.g. the public, Parliament, the Government, the groups that the agency services) understanding of agency operations.

AGENCY NAME
PROPOSED OUTCOME BASED MANAGEMENT STRUCTURE

Government Goals[13]

Government Goal 1

Government Goal 2

Government Goal 3

Government Goal 4

Agency-Level Government Desired Outcomes and Key Effectiveness Indicators

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Desired Outcome 1:

    Key Effectiveness Indicator 1.1

    Key Effectiveness Indicator 1.2

Desired Outcome 2:

    Key Effectiveness Indicator 2.1

    Key Effectiveness Indicator 2.2

Desired Outcome 3:

    Key Effectiveness Indicator 3.1

    Key Effectiveness Indicator 3.2

Services and Key Efficiency Indicators

Service 1:

    Key Efficiency Indicator 1.1

    Key Efficiency Indicator 1. 2

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[13]   **Strong and Sustainable Finances:** Responsible, achievable, affordable budget management.
WA Jobs Plan: Diversifying the WA economy, creating local jobs for the future.
Safe, Strong and Fair Communities: Supporting our local and regional communities to thrive.
Investing in WA's Future: Taking climate action and supporting the arts, culture and sporting sectors to promote vibrant communities.

Service 2:

Key Efficiency Indicator 2.1

Key Efficiency Indicator 2. 2

Service 3:

Key Efficiency Indicator 3.1

Key Efficiency Indicator 3. 2

Service 4:

Key Efficiency Indicator 4.1

Key Efficiency Indicator 4. 2

Service 5:

Key Efficiency Indicator 5.1

Key Efficiency Indicator 5.2

**Section 1
GOVERNMENT GOALS**

Government Goals	Discussion[14] Consider how each of the Government Goals link to the activities of the agency?
to be **Continued**[15]	
1.	
2.	
3.	
…	
…	
to be **Added**[16]	
1.	
2.	
3.	
…	
…	
to be **Discontinued**[17]	
1.	
2.	
3.	
…	
…	

In Sections 1, 2, 3, 4 and 5:

[14] in the Discussion section include any relevant information, specifically, how does each element increase Stakeholders (the Public's, Parliament's, Government's and/or the groups that the agency services) understanding of agency operations.

[15] continued, meaning those elements of the agency's current Outcome Based Management (OBM) reporting framework that are proposed to remain in the new framework.

[16] added, meaning those elements proposed to be a part of the agency's new OBM reporting framework that previously were not.

[17] discontinued, meaning those elements of the agency's current OBM reporting framework that are proposed to be removed.

Section 2
AGENCY-LEVEL DESIRED OUTCOME

Desired Outcome	Linked Government Goal	Discussion
	Desired outcomes should link to at least one Government goal.	Consider how the proposed desired outcomes are relevant or consistent with current Government policies, or enabling legislation.
to be Continued		
1.		
2.		
3.		
…		
…		
to be Added		
1.		
2.		
3.		
…		
…		
to be Discontinued		
1.		
2.		
3		
…		
…		

Section 3
KEY EFFECTIVENESS INDICATORS

Key Effectiveness Indicators	Linked Desired Outcome The achievement of a desired outcomes is measured through the key effectiveness indicators.	Discussion Consider how changes in key effectiveness indicators are necessary and measure the achievement of the desired outcome.
to be Continued		
1.		
2.		
3.		
…		
…		
to be Added		
1.		
2.		
3.		
…		
…		
to be Discontinued		
1.		
2.		
3		
…		
…		

	Section 4 SERVICES	
Services	**Linked Desired Outcome** Desired outcomes are delivered by services.	**Discussion** Consider how the proposed services align with the agency's organisational structure, Government policies or enabling legislation.
to be **Continued**		
1.		
2.		
3.		
…		
…		
to be **Added**		
1.		
2.		
3.		
…		
…		
to be **Discontinued**		
1.		
2.		
3		
…		
…		

Section 5
KEY EFFICIENCY INDICATORS

Key Efficiency Indicators	Linked Service	Discussion
	The efficiency of agency Service delivery is measured by Key Efficiency Indicators.	Consider how changes in Key Efficiency Indicators are necessary and measure the efficiency of agency service delivery.
Key Efficiency Indicators to be **Continued**		
1.		
2.		
3.		
…		
…		
Key Efficiency Indicators to be **Added**		
1.		
2.		
3.		
…		
…		
Key Efficiency Indicators to be **Discontinued**		
1.		
2.		
3.		
…		
…		