

Dear Members of the Public Accounts Committee

## A framework for performance reporting and driving wellbeing outcomes in NSW

This letter sets out SGS Economics and Planning's (SGS) response to the supplementary questions to the public hearing, received via email on 25<sup>th</sup> September 2024.

### 1. How would your organisation improve the performance indicators included in NSW Treasury's Consultation Paper, including to ensure:

#### i) The right number of indicators are included to capture a holistic, integrated set of outcomes?

Generally, 5-10 indicators offer a practical means of capturing outcome areas at the state level. Too few indicators would ignore the plural drivers of wellbeing outcomes, while too many indicators may lead to trade-offs between process (i.e. sourcing, updating, and monitoring data) and value-add (i.e. data *for* insights on wellbeing outcomes). As some wellbeing outcome areas have a wider range of readily available datasets compared to others, including too many indicators also has the potential effect of highlighting this imbalance. We would see a focus on the wellbeing outcomes aligned with government priorities, and less of a focus on measuring service delivery activities.

#### ii) Both lead and lag indicators are included, and that there is an appropriate balance between the two?

An appropriate balance of lead and lag indicators is one that covers all stages of the policy life cycle with relevant and up-to-date data. It is important to track both lead and lag indicators as they provide insight at different stages of the policy life cycle. Lead indicators shed light on emerging issues requiring monitoring, escalation in priority, and/or intervention. Lead indicators help to embed a proactive approach to diagnosing and preventing harm in society. Lag indicators provide a snapshot of the current environment as a function of the effectiveness of past policies and/or programs. Data availability will also influence the balance of lead and lag indicators in the framework.

### 2. How would your organisation structure the indicators and/or metrics in a hierarchy to effectively measure wellbeing in NSW?

A logical, nested hierarchy that incorporates a comparable number of indicators and metrics under each wellbeing theme would offer balanced evidence that informs the state's wellbeing outcomes. The nested structure is reflected in many wellbeing frameworks around the world and in the Australian Government's Measuring What matters Framework.

The value of a nested hierarchy is to design a degree of flexibility for reviewing and refining the indicators or measures, whilst enabling a wellbeing overview to be reported at regular intervals. This is because data sources may shift in their collection methods, availability, and

representativeness of the population over time. Therefore, the NSW Government might consider the role of a headline wellbeing index, or composite index for each outcome area which brings together that areas indicators. This enables simple annual tracking and comparison over time, notwithstanding minor refinements to the range of indicators and/or underlying datasets.

**3. What should the NSW Government do to ensure that there is appropriate consultation and continuous feedback on the themes, indicators, and outcomes in the Consultation Paper?**

Promoting two-way dialogue between NSW Government and its citizens is important for ensuring that wellbeing themes, indicators, and outcomes reflect the experiences of communities around the state.

One approach to timely communication could involve reporting on the 'Year In Review' to highlight wellbeing progress and ongoing focus areas. The Integrated Planning and Reporting (IP&R) process that councils undertake in close consultation with their communities and elected representatives may offer guidance. There, community engagement is a key input to driving the community's vision and priorities for the future. Communities are involved at each stage of the IP&R process so that decisions are representative, evidence-informed and reflect contemporary needs.

**4. Does your organisation have any other feedback or comments on the Consultation Paper?**

Our feedback focuses on the importance of integrating wellbeing outcomes into reporting, policymaking, and investment decisions. We believe that performance outcomes are better suited for agencies to manage in the context of budget-setting.

The distinction between wellbeing and performance outcomes is important, as they do not always move in the same direction, e.g. where short-term gains in service delivery efficiencies have unintended long-term impacts to community wellbeing.

We also encourage the Committee to consider the following features of an effective NSW government wellbeing framework:

- a) **Data should be available and accessible** to community members, local and state government decision-makers, businesses, and other service providers. This promotes transparency and builds community trust.
- b) **Wellbeing themes, indicators and metrics should reflect government values and priorities** and be meaningful to how communities think about and experience wellbeing.
- c) **Aim for spatial detail in the wellbeing metrics.** Indicators at the NSW level hide the range of outcomes and the impact of place on wellbeing. Indicators should be reported at a more detailed geography, such as local government area, and over time to inform policy and investment decision-making.
- d) **Measure outcomes, not just activity or service levels.** While ensuring adequate service provision is important, service levels alone do not guarantee the achievement of policy objectives. For example, a focus on providing training and education programs may not result in higher levels of educational attainment if there are broader barriers, such as high costs, limited accessibility, or low demand for the available courses.
- e) **Be relevant to all stages of the policy life cycle.** Indicators and frameworks do not create change but shape insights that inform decision-making. The framework would benefit from

clear links to governance, policy and investment decision-making, and an understanding of the relationships between outcomes. The framework has a role in removing silos and embedding priorities.

- f) **Be sufficiently flexible to withstand broader policy or data environment changes.** This will ensure that the collection and monitoring of wellbeing outcomes to inform government policy for the long term are ongoing.
- g) **Understanding the connections between indicators is crucial.** Wellbeing themes are interrelated: higher educational attainment can lead to better employment and income-earning opportunities, allowing timely healthcare access. Healthier people are more likely to engage in community activities. Recognising these links helps create a cohesive approach where different services collaborate effectively, improving overall community wellbeing.
- h) **Plan to update data at regular intervals.** Comparing wellbeing outcomes before and after the introduction of a service helps understand its impact. The proposed data development strategy accompanying the NSW Wellbeing Framework will be valuable for this purpose.

I trust this information assists in informing your review.

Kind regards,



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