



Government of **Western Australia**
Department of **Health**

Outcome Based Management Policy Information Compendium

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3.1	2 November 2017	Anthony Jones	Updated to indicate that the OBM Allocation Application complies with policies within the Information Management Policy Framework. Approved by Assistant Director General, Purchasing and System Performance.
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Contents

Contents	iii
Acronyms	iv
1 OBM process for public sector agencies	1
2 OBM process for the WA health system	1
2.1 Key components of the OBM process	1
2.2 Legislative context	2
2.3 WA health system policy	2
2.4 Budget setting and resource allocation.....	2
2.5 OBM KPI data provision	2
2.6 Budget setting and resource allocation.....	4
2.7 Cost centre mapping	4
2.8 Annual reporting	6
3 Glossary	8
4 References	10

List of Figures

Figure 1: OBM Process for the WA health system'	1
Figure 2: OBM Framework legislative and policy context	3
Figure 3: OBM Cost Centre Allocation Linkages.....	5

Acronyms

Cth	Commonwealth
ETL	Extract, Transfer, Load
HSA	<i>Health Services Act</i>
HSP	Health Service Provider
KPI	Key Performance Indicator
PI	Performance Indicator
OBM	Outcome Based Management

1 OBM process for public sector agencies

The *Outcome Based Management (OBM) Framework*¹ is the mandatory Department of Treasury performance management framework for State Government agencies. The framework directly links Outcomes, Services and Key Performance Indicators (KPIs) to State Government goals and desired outcomes.

Treasury approved OBM Key Performance Indicators (KPIs) are set for each agency to measure the effectiveness and efficiency of the services delivered against agreed State Government priorities and desired outcomes.

Further information about the OBM Framework is contained in the *Outcome Based Management - Guidelines for use in the Western Australian Public Sector*.¹

2 OBM process for the WA health system

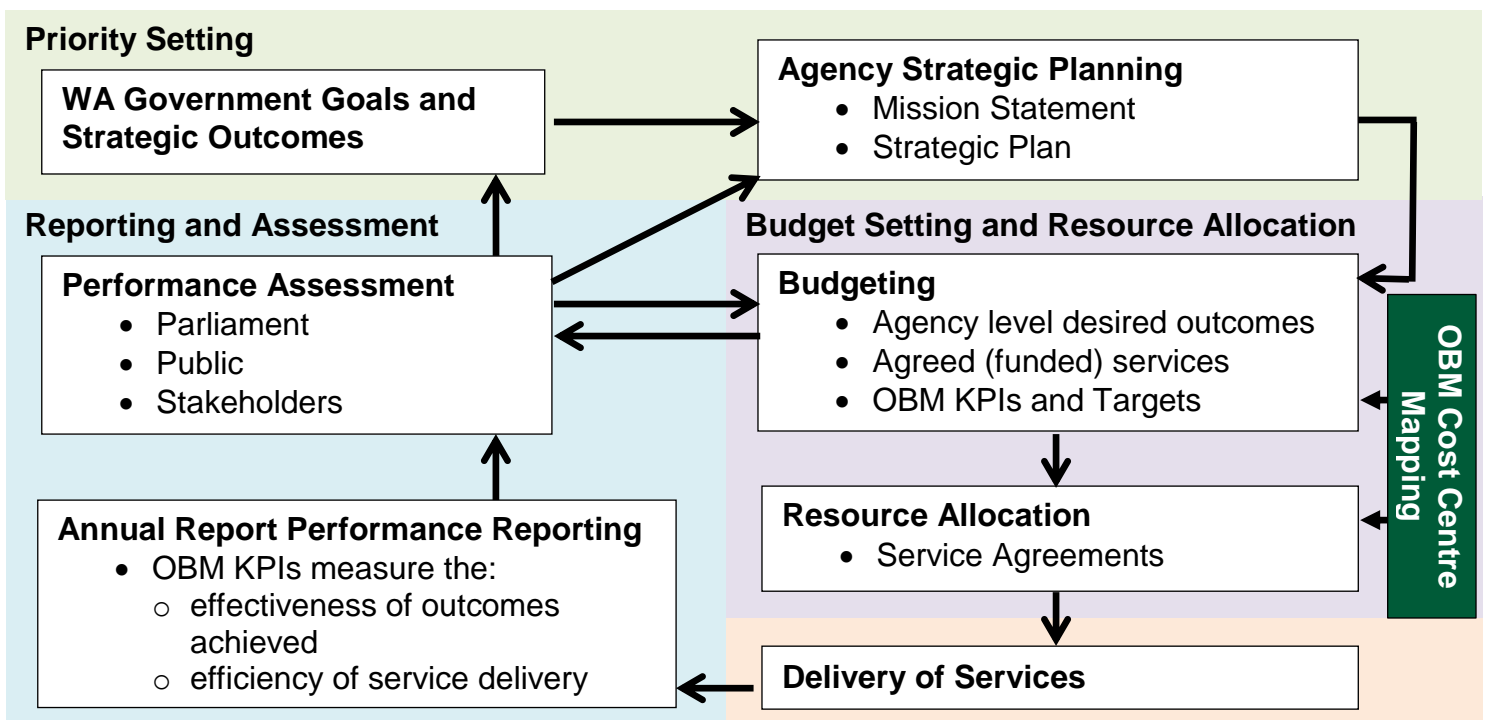
2.1 Key components of the OBM process

The Under Treasurer determines the Outcomes, Services and KPIs for the WA health system after considering an annual OBM submission from the Director General. The submission provides the rationale for the inclusion of new KPIs and the retention or deletion of existing KPIs.

Key components of the OBM process for the WA health system are detailed in Figure 1. These include:

- priority setting
- budget setting and resource allocation
- service delivery
- reporting and assessment.

Figure 1: OBM Process for the WA health system^{2,i}



ⁱ Adapted from Treasury and Finance, 2004

2.2 Legislative context

Commonwealth and State legislation and regulations govern OBM Framework requirements for the WA health system. Under the provisions of the *Health Services Act 2016 (HSA)*³, the Minister for Health is accountable to Parliament and the public. The Minister sets the Government's direction and policies through the allocation of funding to achieve desired outcomes.

The System Manager sets the priorities applicable across the WA health system, in addition to the mandated *OBM Policy Framework*⁴ and *OBM Policy*⁵.

Figure 2 illustrates the legislative and policy context for the OBM Framework for the WA health system.

2.3 WA health system policy

The WA health system *OBM Policy Framework*⁴ and *OBM Policy*⁵ ensure the consistent application and integrity of the OBM Framework across the WA health system. They outline how outcomes, services and KPIs are used to measure performance of the Department of Health and each of the Health Service Providers against Treasury approved parameters.

The WA health system OBM Framework will be amended to accommodate the establishment of PathWest as a new Health Service Provider from 1 July 2018. For 2018-19, the Under Treasurer has approved an exemption from reporting PathWest as a standalone service. PathWest will be included as a separate OBM service in the 2019-20 OBM Framework. PathWest KPIs and targets will be included in the 2019-20 GBS process and will be published in Budget Paper 2 in May 2019.

2.4 Budget setting and resource allocation

The System Manager and the Department of State is required to undertake the budget setting and allocation process in accordance with the HSA³, the *Government Financial Responsibility Act 2000*⁶, *Public Sector Management Act 1994*⁷ and the *Financial Management Act 2006*⁸.

2.5 OBM KPI data provision

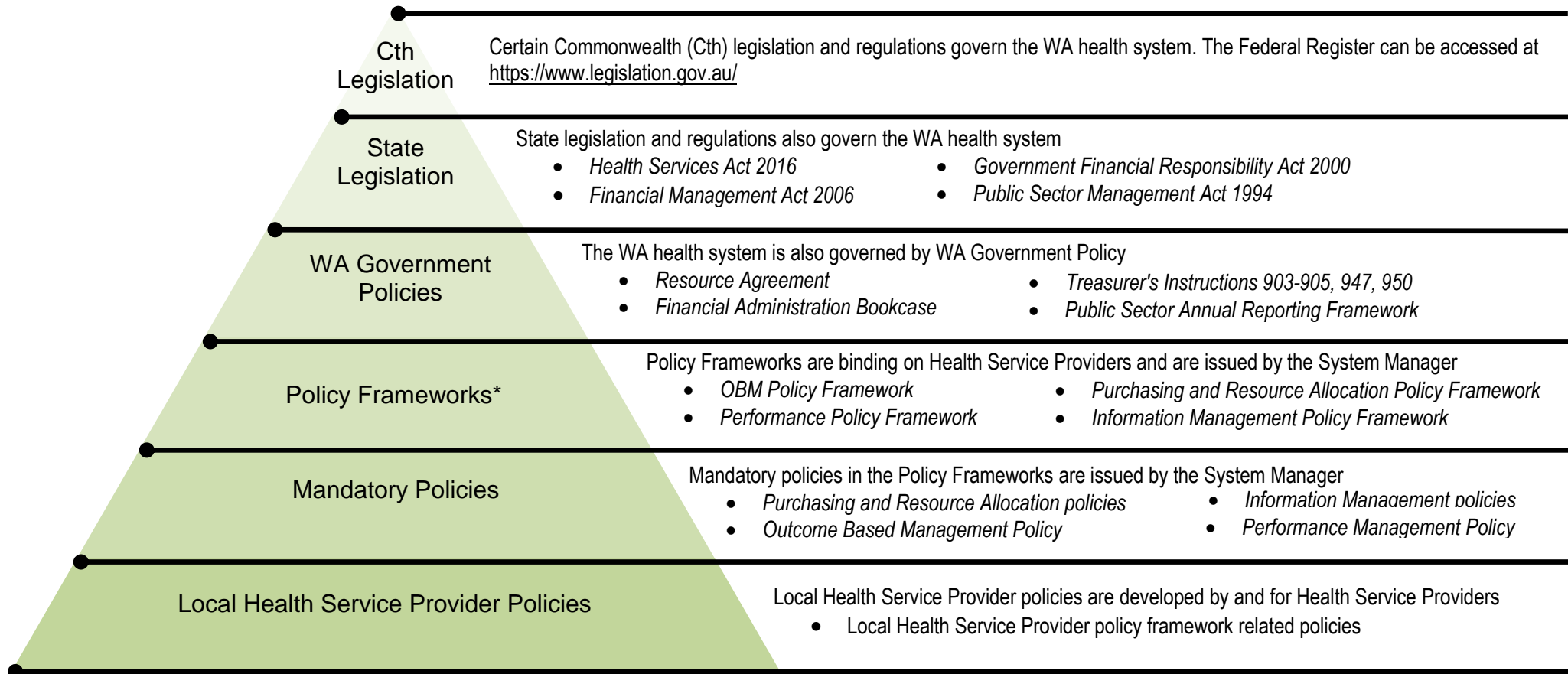
The consistent provision and reporting of OBM KPI data across the OBM process is essential.

The System Manager establishes systemwide data definitions for all OBM KPIs and Under Treasurer mandated PIs.

Health Service Provider must comply with all relevant legislation, regulations, directives, instructions and policies in the provision and reporting of OBM KPI data.

The OBM KPIs are audited by the Office of the Auditor General and may also be subject to audit by the System Manager in accordance with section 20(1)(n) of the HSA³.

Figure 2: OBM Framework legislative and policy context



* Note that Policy Frameworks apply to Health Service Providers. They do not mandate the Department of State functions undertaken by the Department of Health. Department of State OBM functions are mandated by the Department of Health *OBM Policy*.

2.6 Budget setting and resource allocation

Application of the OBM Framework through the annual State Government budget process ensures the budget for the WA health system supports planned priorities and allows for efficient and effective prioritisation of resources.

WA health system's portfolio budget statements expressed in an OBM Framework:

- detail the annual appropriations approved by Parliament for use by the WA health system
- provide a basis for budgeting and reporting against the use of appropriated funds
- align services and KPIs to measure the effectiveness and efficiency of service delivery to achieve the desired outcomes.

The responsibilities of the System Manager for budget and resource allocation are to:

- engage with the Department of Treasury for formal approval of the OBM Framework by the Under Treasurer
- maintain the data integrity of the OBM Framework in Department of Treasury's Strategic Information Management System
- ensure all deliverables in the budget setting process are in accordance with Department of Treasury's instructions and timelines
- prepare and provide WA health system budget setting deliverables to the Minister for Health for endorsement
- enter into an annual Resource Agreement between the Minister as the Accountable Authority and Treasurer under the *Financial Management Act 2006*⁸.

The Health Service Provider must comply with all relevant legislation, regulations, directives, instructions and policies in the provision of data and information requested by the System Manager to support the application of the OBM Framework when developing the portfolio budget statements for the WA health system.

The Service Agreements are aligned to the OBM Framework at a program level.

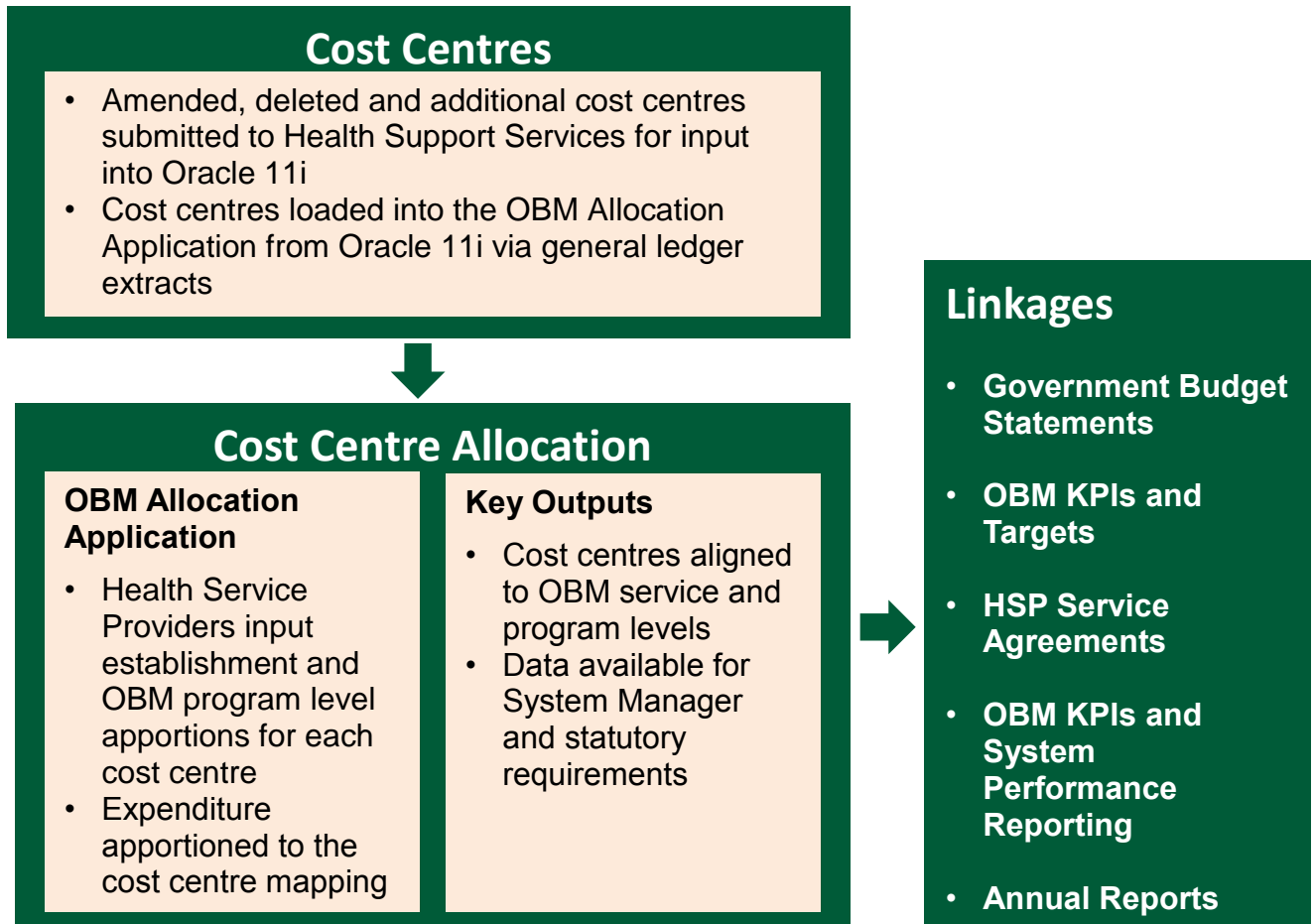
2.7 Cost centre mapping

Consistent application of cost centre mapping across the WA health system is essential to maintain the integrity of the OBM Framework. The OBM Allocation Application supports OBM cost centre mapping. The application enables Health Service Providers to apportion expenditure from cost centres. The OBM Allocation Application captures information and enables aggregation to:

- Under Treasurer approved service levels in the OBM Framework
- System Manager endorsed program levels in the OBM Framework.

Figure 3 demonstrates how Health Service Provider cost centre and mapping inputs directly impact budget setting and resource allocation outputs as well as OBM KPI performance results.

Figure 3: OBM Cost Centre Allocation Linkages



System Manager responsibilities for cost centre mapping are to:

- ensure the OBM Allocation Application is available to authorised users in accordance with each Health Service Provider's Access Schedule
- maintain and update the OBM Allocation Application to ensure it remains 'fit for purpose'
- monitor Health Service Provider interactions with the OBM Allocation Application to identify enhancement opportunities
- ensure information in the OBM Allocation Application is backwards compatible when possible
- monitor the Extract, Transfer and Load (ETL) process between the General Ledger and the OBM Allocation Application
- extract the cost centre apportioning for reporting purposes on the 6th working day in the current month
- ensure the OBM Allocation Application meets audit requirements
- communicate OBM Allocation Application requirements to the Health Service Providers in a timely manner
- provide an appropriate level of transparency and accessibility to the OBM Allocation Application outputs in a timely manner to authorised users
- review, update and maintain the OBM Allocation Application program descriptions

- review, update and maintain in consultation with the appropriate authorising authorities the relevance and currency of OBM Framework service, sub-service and program levels (refer to OBM Policy Addendum 2).

The OBM Allocation Application only relates to expenditure. Revenue mapping and revenue allocation responsibilities are undertaken by the System Manager as there are multiple types of revenue, when deposited, that are not currently included in the OBM mapping.

Health Service Providers must maintain the currency and accuracy of the cost centre mapping in the OBM Allocation Application for Health Service Provider expenditure. This enables the System Manager to undertake its statutory requirements in alignment with the OBM Framework. This includes the alignment of the Service Agreements to OBM Framework at a program level.

The OBM Allocation Application complies with policies within the Information Management Policy Framework including:

- MP 0067/17 Information Security Policy⁹
- MP 0015/16 Information Use and Disclosure Policy¹⁰
- OD 0407/12 Information Storage and Disposal Policy¹¹.

2.8 Annual reporting

Section 61(1)(b) of the *Financial Management Act 2006*⁸ requires all state government agencies to prepare annual reports that contain Key Performance Indicators (KPIs).

*Treasurer's Instruction 904*¹² prescribes the mandatory OBM reporting requirements for public sector agencies in WA. The instruction requires the disclosure of performance information including OBM KPIs in agency annual reports. The reporting of performance and KPIs in the annual reports ensure the public, the Parliament and stakeholders have the ability to assess agency performance information related to the achievement of government desired outcomes.

Health Service Providers must produce annual reports. The *Public Sector Commission Annual Reporting Framework*¹³ is the key document and assists agencies in the preparation of annual reports. The framework provides a summary of expectations, reporting requirements and details of where to obtain advice about specific obligations.

The Legislative Council's Standing Committee on Estimates and Financial Operations conduct Agency Annual Report Hearings. Health Service Providers are required to attend and respond to Committee questions.

The annual reports must be completed in accordance with all relevant legislation, regulations, directives, instructions and policies including the:

- *Financial Management Act 2006*⁸ which includes providing annual reports to the Minister for tabling in Parliament
- Public Sector Commission Annual Reporting Framework¹³
- Financial Administration Bookcase¹²:
 - *Treasurer's Instruction 902 (State of Compliance)*
 - *Treasurer's Instruction 903 (Agency Annual Reports)*
 - *Treasurer's Instruction 904 (Key Performance Indicators)*
 - *Treasurer's Instruction 905 (Certification of Key Performance Indicators)*
 - *Treasurer's Instruction 947 (Certification of Financial Statements)*

- *Treasurer's Instruction 948 (Rounding of Figures)*
- *Treasurer's Instruction 949 (Comparative Figures)*
- *Treasurer's Instruction 950 (Publication of Special Purpose Statements and Trust Statements).*

The responsibilities of the System Manager are to:

- set and calculate all OBM KPI annual targets
- define all OBM KPIs mandated by the Under Treasurer
- clarify and define additional Under Treasurer mandated Performance Indicators (PIs) for annual reporting.

3 Glossary

Annual Report is the mandated end of financial year report prepared by the accountable authority of an agency as mandated under section 61 of the *Financial Management Act 2006*.

Effectiveness measures how well the outputs of a service achieve the stated objectives of that service. The dimensions of effectiveness include access, appropriateness and/or quality.

Efficiency describes overall economic efficiency. It relates a service to the level of resource input required to deliver it.

Department of State is required to manage the functions of the department in accordance with section 29 of the *Public Sector Management Act 1994*. The Department of Health is a department of state under section 35 of the *Public Sector Management Act 1994*. The department of state supports the Chief Executive Officer (Director General) to undertake all legislative functions.

Government Budget Statements refers to the annual financial information provided by the System Manager and Department of State to inform the annual budget papers handed down by the Treasurer.

Health Service Provider (HSP) means a health service provider established under section 32 of the *Health Services Act 2016*. Current health service providers include East, North, and South metropolitan health services, WA Country Health Service, Child and Adolescent Health Service, Health Support Services, PathWest and the Quadriplegic Centre.

Key Performance Indicator (KPI) is a measure that provides an 'indication' of progress towards achieving the organisation's objectives. KPI targets define the expected standard of performance. For the purpose of this report, KPIs are a subset of system Performance Indicators. More specifically, they are part of the Outcome Based Management (OBM) structure approved by the Under Treasurer and are subject to audit by the WA Auditor General.

Outcome describes the effect, impact, result on or consequence of a service on the status of the target clients or community, and on the success of the service area in achieving its objectives.

Outcome Based Management (OBM) describes how outcomes, services, sub-services, programs and KPIs are used to measure WA health system performance against agreed State Government priorities and desired outcomes.

Performance Indicator is a measurable value that provides an 'indication' of progress towards achieving the organisation's objectives or outputs. PI targets define the expected standard of performance.

Program is a disaggregation of a Sub-Service that conveys a meaningful understanding of an agency's performance that enables the public to understand how the agency achieves the specified outcomes.

Service is the supply of an activity or good to a user external to the agency providing the services in order to achieve Outcomes. They can be in the nature of outputs or programs.

Service Agreement is an agreement for the provision of health services by the health service provider to the State that is either: (a) a service agreement between the Department CEO and

health service providers that has been entered into under section 46(2) of the Health Services Act 2016; or (b) a Commission Service Agreement. The Service Agreement includes a Statement of Priorities directing policy, service targets, budgets and performance measures (performance indicators).

Sub-Service is a disaggregation of a Service that conveys a meaningful understanding of an agency's performance that enables the public to understand how the agency achieves the specified outcomes.

System Manager is the term used for the Department CEO to reflect his/her role as being responsible for the overall management of the WA health system (see section 19 *Health Services Act 2016*).

WA health system refers to the public health system in WA as defined in Section 19(1) of the *Health Services Act 2016*. It is comprised of the Department, health service providers and contracted health entities (to the extent that contracted health entities provide health services to the State).

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