

23 April 2001

Secretary  
Joint Committee of Public Accounts and Audit  
Parliament House  
Canberra ACT 2600

Dear Sir/Madam,

**Re: Review of Accrual Budget Documentation**

This is a brief submission from the Australian Council of Social Service (ACOSS) to the Inquiry. We do not seek to appear before the Committee in any public hearings that might be held.

ACOSS is deeply concerned about the loss of critical information on the fiscal and consumer impacts of social programs in the 1999 and subsequent Budget Papers.

Our concern is not directly related to the change from cash to accrual budgeting. Rather, we are concerned about the shift in that year from presenting budget information on the basis of inputs towards a presentation that is supposedly based on "outcomes", which, together with other changes, has reduced the level and quality of information on government programs.

Although a focus on outcomes is desirable in principle, this has not been implemented in a meaningful way with regard to the presentation of information on social expenditures in the Budget Papers. The end result has been a loss of basic information on how the Federal Government spends its money.

Our major concerns about the changes implemented in 1999 are as follows:

- (1) As a result of the way in which outcome-based accounting has been implemented, there is far too little quantitative and qualitative information on administered expenses in Budget Papers Numbers 1 and 4, and much less than that provided prior to 1999.

These Budget Papers now provide only a very limited break-down of administered expenses, that is, only down to the equivalent of "sub-function" level in previous Budget papers, omitting the more detailed "third" level of programs. For example, expenses in the Family and Community Services portfolio are divided into three "outputs": strengthening families, strengthening communities, and facilitating labour force and community participation. Even this very limited information is provided in the text, not in tabular form.

There is no data in these Budget papers on expenses for individual programs such as Child Care Benefit or Age Pension. In the 2000-01 Budget Paper Number 1, only 3 pages were devoted to an explanation of outlays in the Family and Community Services portfolio, compared with approximately 20 pages devoted to the functions contained within that portfolio in the equivalent 1998 publication. Budget Paper Number 4 offers even less information on program expenses, and has very little utility.

- (2) In contrast to pre-1999 Budget Papers, this information is categorised by portfolio rather than by function, making it very difficult to compare outlays in a given program area, or the fiscal impact of policy measures, over time.

Both annual expenses and the impact of policy measures are listed by portfolio only, with the exception of the historical tables in the Appendix to Statement 5: "Expenses", in Budget Paper Number 1 (but note our third point below).

- (3) In 1999 there was a break in the historical data on outlays by function and sub-function formerly provided in Appendix A of Statement 4 of Budget Paper Number 1. This makes it difficult to track trends on social expenditures over the long-term.

Prior to 1999, the Statistical Appendix to Statement 4: "Outlays" in Budget paper Number 1 contained tables detailing outlays by function and sub-function over the previous 10 years, and the next 3 years. However, the 1999 Budget Paper Number 1 only provided aggregate historical data for expenses by portfolio. The situation improved somewhat in 2000. In that year the statistical appendix included data on expenses by function and sub-function for the five years commencing 1999-2000. However, there is a break in the series in 1999, presumably due to changes in the scope and measurement of Budget outlays. This means that the Budget Papers can no longer be used to track long-term trends in social expenditures.

- (4) Since 1999, less information on administered expenses and their outcomes has been provided in Portfolio Budget Statements.

Budget Paper Number 2: "Budget Measures" offers more information on new policy measures than Budget Paper Number 1 did previously. This is an improvement on past practice. However, the Portfolio Budget Statements contain *less* detailed information on the impact of measures, especially their impact on consumers of services (in particular, data on the numbers of people affected). Further, information is no longer provided on the reasons for variations in outlays within each program area from one year to the next.

The Attachment to this submission sets out a case study to illustrate many of these concerns: information provided in the Budget Papers on Federal Government child care program outlays. This shows, among other things, that it is no longer possible to obtain information on child care program outlays in the Budget Papers without consulting the Portfolio Budget Statements.

We would like to emphasise that we have not selected child care programs as a case study on the basis that the quality of the information in the Budget Papers in this area is particularly poor. The information provided in other areas of social expenditure is of equally poor quality. In fact, the Department of Family and Community Services provides better budgetary information, on the whole, than most other Federal Government Departments. Its annual budget publication "What's New, What's Different" is a very useful budget-night summary of policy measures in the portfolio that should be emulated by others.

The justification for most of the above changes in the presentation of the Budget Papers is presumably to change the focus of budget reporting from inputs to outcomes, consistent with emerging trends in accounting. However, this aim has not been achieved with regard to the social programs with which ACOSS is familiar.

For example, as noted above the "outputs" of the programs administered by the Department of Family and Community Services are listed as: strengthening families, strengthening communities, and facilitating labour force and community participation. These are so broad and ambiguous that they are practically impossible to measure. Yet they provide the basic structure for categorising all programs administered by the Department. Although the previous structure was based on target groups such as assistance to retired people or families rather than policy outcomes, it was at least logical and could readily be understood by a non-expert reader.

ACOSS strongly supports the principle that Government programs should have clear objectives and that their outcomes should regularly be measured against them. However, this will not be achieved simply by categorising social programs on an "outcomes" basis. This approach not only trivialises outcomes-based budgeting. It actually undermines it because it obscures the actual impact of programs and policy measures on client groups.

It is genuinely difficult to measure the outcomes of many social programs, since they usually have a range of objectives that may conflict (for example, social security payments should be adequate without undermining work incentives). In addition, the programs are usually only one factor among many that influence the desired outcomes (for example, child care is only one factor affecting female labour force participation).

If governments are really committed to the effective measurement of the outcomes of social programs, then they must be prepared to devote more substantial resources to social research and community consultation in order to:

- identify the need, or potential demand, for social programs (for example, the extent of unmet need for Intensive Employment Assistance through the Job Network);
- establish clear, objective targets or benchmarks against which to measure performance (for example, benchmarks for the adequacy of social security payments);
- regularly assess program outcomes against those benchmarks.

To rectify the problems identified above, ACOSS recommends the following changes to the presentation of Budget information, and the measurement of the outcomes of the Government's social programs.

- (1) Information on administered expenses in Budget Papers 1 and 4, and on Budget measures in Paper Number 2, should be categorised on the basis of function rather than portfolio, and cross-referenced to the relevant information in the Portfolio Budget Statements.
- (2) Budget Paper Number 1 should include detailed data on expenses by function, sub-function, and major program (such as age pensions).
- (3) The break in the historical series on expenses by function and sub-function should be rectified, at least for functions relating to social expenditures.

It should be possible to rectify this problem in most areas of social expenditure, since the changes to the scope and measurement of Budget outlays in these areas in 1999 were relatively small.

- (4) The Portfolio Budget Statements should be readily available at Government Bookshops on Budget night as well as the lock-ups.

- (5) The Portfolio Budget Statements should contain more detailed information on the outcomes of programs, the benchmarks, methodology and data sources used to assess this, particularly the broad effects of policy measures on consumers of services (for example, the numbers of people directly affected).
- (6) Portfolio Budget Statements should contain flow-charts providing a detailed break-down of the programs administered by each Department and their location within the classification structure in the statement.
- (7) The Portfolio Budget Statements should provide information on variations in outlays within each broad program area (such as child care) from one year to the next, and the reasons for variations.
- (8) The Portfolio Budget Statements should provide information on non-Budget policy measures in the same format and in the same detail as the information currently provided on Budget measures.

We trust that the Committee will recommend improvements in these areas so that the Budget Papers provide an accurate and transparent picture of Federal Government social programs, policy measures, and their impact.

Should your staff have any queries about this submission, please refer them to our Senior Policy Officer Peter Davidson, at this office.

Yours sincerely

Betty Hounslow  
Director

## Attachment

### **Needles in a haystack: Finding information on child care programs and outlays in the Budget Papers - a comparison of the 1998 and 1999 Budget Papers**

Major changes were introduced in 1999 to the presentation of information in the Budget Papers. These had the effect, in social program areas, of reducing the level and quality of information provided. This case study uses Budget information on child care programs to illustrate the problem. However, serious information deficits apply across all social program areas. In fact, the Department of Family and Community Services provides, on the whole, better quality information than other Departments administering social programs.

#### **Budget Papers Numbers 1, 2 and 4**

##### **Information on outlays**

Prior to 1999, if ACOSS wished to examine trends in outlays on child care programs, we could have obtained these data from successive copies of Budget Paper Number 1, where it was outlined under the functional classification: "Social Security and Welfare". "Child Care" was a category within the sub-function "Assistance to families with children".

In 1998, page 4-60 of Budget Paper Number 1 revealed estimated outlays of \$1,037.9 million on child care, divided into the following categories: Childcare Assistance, Childcare Cash Rebate, Operational Subsidies, Child Care for parents in the Jobs Education and Training program, capital funding, and "Other". Forward estimates were provided to the year 2001-02.

In the following year (1999), Budget Paper Number 1 no longer provided any information on child care outlays. The relevant section of that document, relating to expenses of the Family and Community Services portfolio (at pages 5-27 to 5-30), provided estimates of administered expenses for that Department totalling \$48,111 million in 1999.

The only information relating to child care in this 1999 Budget Paper was the following:

"The Commonwealth will provide \$21.8 billion in 1999-00 for other forms of assistance to encourage social and economic participation, including income support to the unemployed, and those unable to work due to illness, disability or their responsibility as a carer. This assistance also encompasses income supplements such as Mobility Allowance and Child Disability Allowance, and services providing labour market assistance, *child care*, rehabilitation and other services to facilitate workforce access and the opportunity for community participation" (emphasis added).

Budget Paper Number 4, "Agency Resourcing", was the only other Budget Paper readily available on Budget night in 1999 that could possibly have contained this information<sup>1</sup>. However, this publication contained even less useful information on administered expenses generally than Budget Paper Number 1, and none at all with respect to child care.

#### **Replacement of the functional classification system with one based on portfolios**

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<sup>1</sup> The Portfolio Budget papers are difficult to obtain on Budget night. In some cases, they do not arrive in Government Bookshops until weeks later.

Even if information on child care program outlays was provided in Budget Paper Number 1, it would have been more difficult than previously to track trends in outlays in this area over time. The reason for this is the elimination of functional categories in Budget Paper Number One and their replacement by Portfolio areas.

This means that, if a program shifts from one portfolio to another, the reader must track these changes. For example, child care programs have migrated to different portfolios on three occasions over the past 20 years. They were shifted in 1999 from the former Department of Health and Family Services to the new Department of Family and Community Services. Prior to being administered by Department of Health and Family Services (which was previously called "the Department of Human Services and Health"), they were located within the "Department of Community Services". Prior to that, they were located within the "Department of Social Security".

Shuffling of portfolio responsibilities is an inevitable feature of our structure of government. This is no doubt the main reason that Budget Paper Number 1 previously adopted a functional classification system rather than one based on portfolio responsibilities.

## **Portfolio Budget Statements**

### **Information on outlays**

In 1998, more detailed information could be found on child care outlays by consulting the Portfolio Budget Statement for the then Department of Health and Family Services, at page 141 under the category "Family and children's services". This statement also contained, at page 148, detailed information on variations to outlays between 1997-98 and 1998-99.

The 1999 Portfolio Budget Statement for the Family and Community Services Portfolio also offered information on child care program outlays, provided the reader knew where to look.

Information in this Portfolio Budget Statement was divided into three "outcome areas" in place of the previous program headings. These were: "Stronger Families", "Stronger Communities", and "Economic and Social Participation".

Child care programs could logically be placed within any of these categories. If child care is regarded first and foremost as a family service to care for children, it would belong in "Stronger Families". If it is regarded primarily as support for working parents, it would belong in "Economic and Social Participation". As it turned out, it was placed in the latter category, and the information on child care program outlays that was formerly available in Budget Paper Number 1 could be found on page 71 of the 1999 Portfolio Budget Statement.

However, unlike its 1998 equivalent, the 1999 publication offered no information to account for variations to outlays from one year to the next.

### **Information on policy measures (including non-Budget measures)**

The 1999 Portfolio Budget Statement also contained information on the impact of policy measures on outlays.

One problem with this section of the publication is that very little information was provided on non-Budget measures (those which are announced prior to the Budget). This appears to be a problem of long standing (that is, it does not reflect changes introduced in the format of the document in 1999).

For example, the 1999 Portfolio Budget Statement provided only a brief description of the family assistance measures in the major tax reform package announced in the previous year. This package included substantial changes to child care programs. Childcare Assistance and the Child Care rebate were replaced by a single Child Care Benefit and the maximum value of child care subsidies for parents was increased.

Despite the importance of these changes for users of child care services, the 1999 Portfolio Budget Statement offered very little information on their likely impact. For example, it would have been very useful to know, by the end of the financial year in which the policy was announced, how many families would be affected, and the average gain or loss likely to be experienced by different types of families from these particular changes.

In Section 3: "Statement of Budget and non-Budget Measures" of the document, at page 114, minor changes to this package announced in the Budget were briefly described and costed. The statement noted that:

"These [Budget] initiatives are designed to make the tax reform family package even fairer for all families"

There was no elaboration of how "fairness" is defined and assessed, and no data on the impact of the family package on different types of households or the distribution of household income.

### **Assessment of program outcomes**

The information deficits in the 1999 Portfolio Budget Statement with regard to outlays and policy measures were not compensated by any improvement in information on the *outcomes* of child care programs (although it should be noted that previous Budget Papers contained no data on the effectiveness of child care programs - only a list of "outputs, indicators, targets and data sources").

There are two tables dealing with the outcomes of child care (and other) programs in the 1999 Portfolio Budget Statement. The first is table 2.3.1. at page 65. This table is referred to in the text in the following terms:

"Table 2.3.1 shows the links between the outputs and the outcome [for child care programs]."

However, the table merely shows that the output "Childcare support" is linked to the outcome "Economic and social participation".

The second is table 2.3.3. at page 89, which offers slightly more information. It lists a series of measures that are used to assess the effectiveness of child care programs, including: "Labour force participation rates of women with young children (0-4 years) and children aged 0-15 years"; "Percentage of child care that is used for work related purposes", and "Child care out of pocket expenses as a proportion of weekly disposable income before and after child care subsidies."

However, as was the case with previous Portfolio Budget Statements, no data is presented in regard to any of these indicators. Moreover, there is no information provided on any program evaluations or surveys that might be under way to assess the effectiveness of the programs, or the impact of major policy changes such as the family assistance package announced the previous year.