

QAO better practice—service logic approach

Public sector entities exist to deliver government policy objectives and services to the community by transforming the resources they receive. They use value-adding business processes to create outputs – or services – that contribute to outcomes for the community. Education, for example, is provided with appropriation each year and uses education resources to teach children the curriculum to achieve learning outcomes.

A service logic approach is a way of describing an entity's inputs, service delivery through activities, outputs and outcomes in a way that enables those charged with governance to:

- monitor and report the performance of the entity in terms of its efficiency in turning inputs into outputs, and its effectiveness in terms of turning its inputs into outcomes, to the benefit of the community it serves
- forecast future performance based on changes to the level of inputs, activities and outputs both inside and outside of the entity
- identify areas of sub-optimal performance to proactively address through management intervention
- ensure that the entity's organisational structures, systems, and culture are aligned to achieve the desired outcomes
- ensure that the duties of individuals, the organisation's funding and other resources are aligned with those activities that will produce the optimal outputs and outcomes.

The Queensland Performance Management Framework (PMF) recognises the importance of transparency and accountability for Queensland Government departments and statutory bodies by requiring them to monitor and publically report non-financial performance information. The PMF requires departments to group all their services into service areas and report externally on at least one efficiency and one effectiveness performance measure for each area. Better practice public sector entities will support this requirement with a service logic model and a deeper suite of performance measures for their own internal management reporting. This ensures that the resources at the entity's disposal are fully targeted at the activities that deliver the most value in achieving government policy objectives.

Creating a service logic model

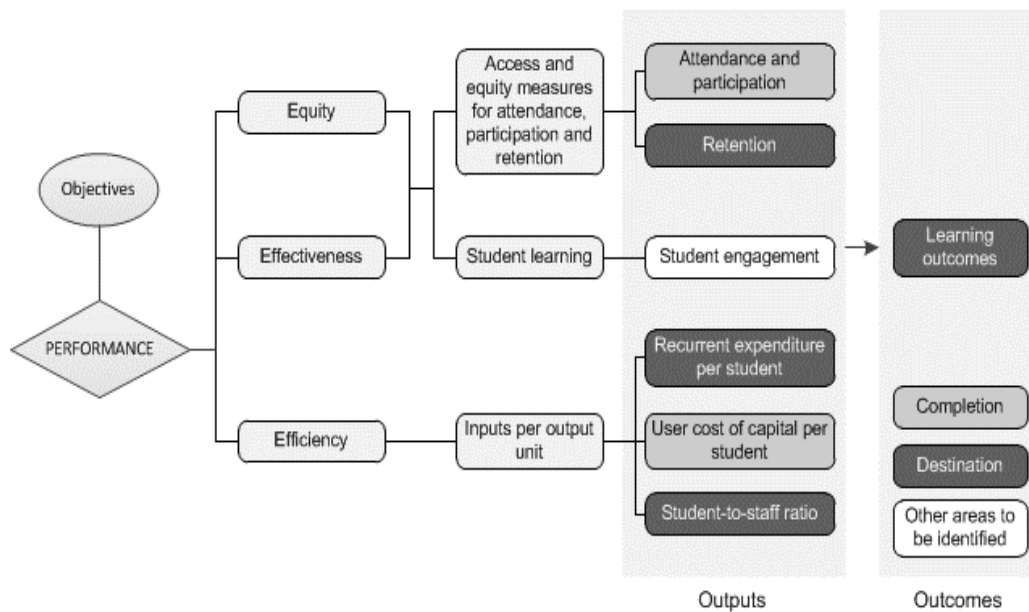
The first step in creating a service logic model is analysing the service and identifying the long-term desired end result or outcome. This can be done in two ways.

- If a department has a clear understanding of the long-term desired outcome, it can start at the end. It can work backwards and identify the chain of outcomes, outputs, activities, and resources that lead to the final outcome. The steps are to identify:
 - who is expected to achieve the expected outcomes
 - what activities must be provided, produced, or completed to achieve the desired outcomes
 - what resources are needed to accomplish the activities.

- Alternatively, if staff and stakeholders are more comfortable talking about what they do, the department can focus on activities. The activities approach to the service logic model connects program resources and activities to desired results.

Figure 1A is example of a performance indicators in the education sector based on a service logic model from the Australian Government Productivity Commission's *Report on Government Services 2016* (RoGS). RoGS provides information on the equity, effectiveness and efficiency of government services in Australia for comparison using a service logic approach.

Figure 1A
Performance indicator framework



Source: *Report on Government Services 2016. Chapter four, school education*

If your public sector entity wishes to develop a service logic model, a technique known as outcome relationship modelling – part of benefits realisation management – can be used to develop your service logic model. If you have a service logic model in place, this checklist can help you review and refine your model.

Logic model review checklist

Model component	Review questions
Inputs	<ul style="list-style-type: none"> ▪ Have you listed all the major resources? ▪ Do the resources seem comprehensive? ▪ Do the inputs match the service?
Activities	<ul style="list-style-type: none"> ▪ Have you included all the major activities that make up the service area? ▪ Is it clear what the service area actually does? ▪ Do the activities seem sufficient?
Outputs	<ul style="list-style-type: none"> ▪ Is each output measurable, tangible, and a direct product or result of the service activities? ▪ Do the outputs lead to desired outcomes, but are not themselves the expected changes? ▪ Does each output have activities and resources associated with it?
Outcomes	<ul style="list-style-type: none"> ▪ Does each outcome represent the results or impacts that occur because of the activities and services? ▪ Are outcomes written as change statements? ▪ Are outcomes meaningful, relevant, realistic, and attainable?
Review	<ul style="list-style-type: none"> ▪ Do the inputs, outputs, and outcomes link together in a sequence to achieve the desired result? ▪ Is the model logical? ▪ Are the steps (that turn inputs into outputs into outcomes) sensible and logical? ▪ Can the service be delivered with available resources? ▪ What might be unintended or negative outcomes?

Source: Queensland Audit Office

The first step is to identify all activities, and then repeatedly ask why they need to conduct these activities. A chain of connections is created that links the activities to the desired end results. Lastly, the department lists all the resources needed to ensure the chain of connections is achieved.

Developing a service logic model is an iterative process and can change over time. Often a service logic model is a work in progress that is refined as services develop or there is a change in organisational or service objectives.

For further information

You can find further information on how to create a service logic model in the Queensland Audit Office's [Follow-up: Monitoring and reviewing performance](#) (Report 3: 2016-17).