

Social Inclusion

Initiative Two

Encouraging local government to change to outcome focused organisations

Joined-up Government

I have followed from afar the efforts of the Blair Government in tackling social exclusion.

I suspect the Blair approach has been excessively *top-down*. It has relied too much on high-level co-ordination and special programs, rather than attempting to fundamentally change existing organisations that are partially to blame for the problems but, could be very much part of the solutions.

Of course, fundamental organisational change is difficult. By contrast, setting up a new co-ordinating committee with a grant program, while if not very effective, is easy and point-outable. There are committee members to appoint, projects to announce and then to open when they are completed. The previous Australian Liberal Government had a plethora of local grant programs for a wide range of policy areas. It looked like something was being done and local members were able to mimic the local mayors, but only symptoms were addressed with fundamental issues remaining unsolved. Administrative costs for all involved in small grant programs usually outweigh any benefits.

Bottom-up change, which, while being more difficult than co-ordinating committees and grant programs, is more effective in the long term.

What is the problem with the existing organisations?

In Australia, State and local governments were organised and funded to provide specialists *inputs* or *outputs*. Most State and local government organizations were designed in colonial days to facilitate the employment of particular professionals. This is why they have been described as ‘guild’ or ‘silo’ organizations.

Until recently, entry into these organizations was restricted to those with the particular professional qualification - foresters in the Forest Commission, road engineers in Roads, town planners in Planning Departments, and so on. The professional qualification was ‘essential’ rather than merely ‘desirable’.

Although managerial positions now are advertised to permit people with a wider range of skills to apply, the guild cultures tend to live on, which is not surprising given there has been relatively little fundamental change to the nature of the traditional organizations and their traditional outputs.

In governments organised and funded to produce inputs or outputs it is difficult for anyone, other than a central government agency, to be responsible for the

achievement of complex *outcomes*¹ – such as the functioning and quality of a place. Each guild organization will tend to pursue solutions that reflect their particular specialised output.

The inability to allocate clear responsibility for outcomes tends to lead to a proliferation of top-down interdepartmental committees and reports. Unfortunately, this type of '*joined-up government*' tends to exist only at the top and probably only for as long as there is strong political support.

In the end, someone will be needed to take responsibility for achieving recommendations reached by report writers or '*co-ordination*' meetings². In the absence of real authority for implementation, anything that requires complex solutions tends not to happen. More paving can be achieved, but significant community building is difficult to sustain.

Moving from the traditional input or output forms of management to outcomes management, while useful for all levels of government, can especially advantage local government. Being a single corporate body with a wide range of functions, local government can improve its effectiveness and efficiency by moving, firstly, to identify clearly the core outcomes it is pursuing and, secondly, to arrange its resources so that the achievement of those outcomes is managed.

The Recent Reform Agenda in Government

Over the last twenty years, largely driven by managerialist theories, there have been some significant changes in the functioning of government, especially in the State of Victoria and in New Zealand.

There has been a shift in budgeting from funding *inputs* (engineers and tarmac; teachers and buildings) to funding *outputs* (roads; schools and student places). There has been some talk, but little action, about budgets based on an *outcomes* format.

Some changes in the structure of government have occurred, with organizations separating into purchaser and provider divisions driven by demands that the provision of services be market tested. Generally the purchasers have been seen as contract administrators rather than outcome managers.

The concept of outcome management, which includes Place Management, builds on these purchaser/provider changes but not necessarily for the purpose of compulsory contracting out the provision of services. Services can still be provided from within the organization, even through an outcomes approach has been taken.

The Advantages of Outcome Management

¹ Inputs create outputs, which achieve outcomes. Thus workers and materials (inputs) create roads (outputs) which achieve greater accessibility (outcomes).

² Co-ordinating meetings usually result in solutions at the margin as each guild organization represented vetos solutions that would result in a loss of power for their agency

The advantages in shifting to an outcomes form of management include:

Governing Rather Than Just Supplying Services

Allocating responsibility for outcomes recognises that government is about more than merely contracting for the supply of certain services or administering regulation. It recognises that government is not just a series of nationalised businesses and that the regulated are not 'customers'.

Wider Range of Solutions Likely

The effective achievement of an outcome is likely to require the responsible outcomes officer to '*do whatever it takes*' to fulfil his or her responsibilities. This may require a wide range of initiatives; consultation, empowerment of local communities, facilitating, planning, programming, lobbying other agencies of government, improving regulation, as well as arranging for the supply of services. Unlike the member of a 'guild' organization, an outcomes officer is freed from the institutional imperative of pursuing guild solutions.

For example, an organization funded and empowered to achieve *accessibility outcomes* (rather than, say, roads) should be freer to explore a wide range of transport and other connecting solutions, as well as land use policies that assist in encouraging different uses to locate together and thereby reduce the need for travel.

Regulation as a Means to an End

With an outcomes approach the role of regulation is more clearly seen as a means to an end. Regulation can be seen as only necessary if other solutions will be ineffective.

The Outcome Manager Cannot Dodge Responsibility

With an input or output organization structure, the community can find it difficult to identify who in government is responsible for dealing with a problem. Complex issues, particularly, can fall between cracks in responsibility or rest with several officers who may 'buck pass'.

An outcomes officer finds it difficult to deny responsibility in the first instance. The task of the outcomes officer is finding a solution and ensuring that those who are responsible for providing the relevant inputs or outputs carry out those responsibilities.

The outcome officer is visible. This is especially so with place managers whose position and area of responsibility are clear to members of the community. If a place manager is to be successful, he or she will have to have a close understanding of and a good relationship with the community.

Outcomes Management Enhances Strategic Planning

Effective outcomes management demands good strategic planning if the outcomes selected are to be realistic and of real concern to government and the stakeholders. Once outcomes have been defined and appropriate strategies agreed on then, given the flexibility of the outcomes approach, the organization can be adjusted easily to suit the outcomes being sought. An outcome officer can be appointed to take responsibility for each of the outcomes identified.

By contrast, the main driver for input and output organisations is the continuation of the provision of inputs and the production of outputs. Strategic planning therefore tends to be an *ex post facto* rationalisation of what is being done. The planning process firstly defines what the organization is designed and funded to produce and then seeks to explain why.

Strategic planning for an outcomes organization should closely involve elected officials and stakeholders as it is intended to both inform and involve them and so increase their ownership of the outcomes and their commitment to the process.

An Outcomes Budget Increases the Power of Elected Officials

Most input or output budgets leave little to the discretion of elected officials and interested stakeholders when it comes to budget decisions. Much of the Budget is already allocated to keep the inputs employed and the traditional outputs produced. Budget decisions may involve only 5-10% of the available expenditure and be limited to marginal increases and decreases of expenditure under various headings and the selection of new projects from a list provided by the various input and output managers.

With an Outcomes Budget the total amounts being spent on achieving the core outcomes are exposed. This potentially provides elected government with an enhanced scope for reallocating expenditure and resources in accordance with the outcomes identified in the strategic plan. Compared to the traditional guild organisation, a structure based around outcomes responsibilities can make it easier to realign staff resources to the new priorities.

A Model for Outcome Management

The following is a model for an outcomes organisation:

Structure

An organisation designed to achieve outcomes will have four main organizational components:

- Governance

Responsibility for strategic and corporate planning, the Budget process, auditing of performance and servicing of elected government.

- Effectiveness

This is the Outcomes responsibility. The Outcomes Division should be a flat structured organization with a series of outcome officers, each with no more than one assistant and some support staff. Positions should have generalist qualifications with broad banded positions, which permit a wide salary range.

In local government Place Managers would be appointed to take responsibility for every part of the council's area, not just the commercial centres. The size of each area would reflect the availability of staff and the complexity and urgency of the issues in the various areas.

- Efficiency

The Services Division is the location for a wide range of specialists producing inputs or outputs. It consists of a series of what are essentially small businesses each invested with as much self-management as possible.

Depending on the extent to which *best value* or tendering is used to encourage efficiency, so the relationship with the Outcomes organization can be a negotiated partnership or a contractual relationship. This, in turn, will determine if the budget allocations go direct to the service organizations, or whether the outcome responsibilities will be funded in the first instance.

If the budget allocations go to the service units then the outcome officers have to negotiate with those units to adjust priorities to achieve their outcomes. The allocation of some small amounts of untied funds for each outcome officer can assist these negotiations.

- Transparency

This Division is responsible for the exercise of the regulatory responsibilities. An outcomes officer 'doing whatever it takes' to achieve the desired outcomes would have a conflict of roles if he or she was also to be responsible for the administration of regulatory powers. And, as regulation is not a 'business', the regulatory responsibilities also should be separate from the Services side of the organization.

Performance Measurement

Given that their mode of operating is quite different, so the performance measures for the Outcomes, Services and Regulatory organizations are different:

- Outcomes – performance measures relating to the achievement of outcomes – the quality of the place, the assessment of design qualities, safety/crime figures, economic performance, level of literacy, quality of the water at the end of the pipe, mode share, travel times, etc. What the community thinks of the organisation's performance?
- Services – performance of contracts, returns on assets employed and other financial and human resource measures

- Regulatory – level of complaints, appeals results, satisfaction surveys of the regulated and the beneficiaries of regulation, and, provided care is taken as to what judgements are to be drawn, cost and timeliness

It is likely that the performance of the Governance organization will be reflected in compliance with legislation, financial performance and election results.

Organisational Change Implications

Moving from a traditional input/output structured organization to an output-focused organization does not require great upheaval, although the manner in which the parts of the organization operate may change significantly. Most staff should stay more or less in their existing positions.

The Services and Regulatory organizations will not change greatly, but there might be rearrangements of the separate units. Some service units should have greater autonomy of action. It should be possible to substantially reduce levels of management.

In the Outcomes organization the positions will all be new but there will not be many, given that there will be a flat organization with few supporting staff³. These new positions should not lead to an expansion of the numbers of total staff as there could be savings possible overall.

The process of change should adopt the following principles:

- An assurance that everyone will remain employed although his or her job description may change.
- An assurance that internal applicants will have first go at any new positions, with external advertising only if there are not adequate internal applicants.
- The advertising of all positions in Outcomes, rather than lateral transfers. Outcome jobs should not be restricted to members of particular professions.

Fairfield City Council – An Example of a Successful Outcome Focused Council

For the last fifteen years Fairfield City, possibly Australia's most multi-cultural societies with constant pressures from the country's immigration and refugee program, has had an outcome focused council.

The website of the Council describes the outcomes focused organization structure of the Council, one devised by the author in co-operation with staff and councillors (when Chris Bowen was Mayor) using the process described in this paper. This structure has operated successfully for over 15 years fundamentally unchanged from when it was established. The website also contains the outcome focused strategic plan which provide the outcomes for which managers have been made responsible and an outcomes based budget (The Management Plan).

³ Outcome officers should not have any more than an assistant. The object is for them not to do but to arrange others to do.

See: <http://www.fairfieldcity.nsw.gov.au/>

If Fairfield's Strategic and Management Plans are closely studied it can be seen that the Council is entirely ready to partner with an Australian Government concerned to substantially improve the social inclusion of its communities. With very limited resources the Council has already done an excellent job in working out what needs to be done, devising, with stakeholders, the necessary programs and, within those resources doing what it can.

The point is that with the Outcomes officers in place another level of government knows exactly who to deal with. It does not need committees and reports. There can be a one-on-one relationship between the program officer and the outcomes officer and a guarantee of efficient and effective performance.

The Management Plan has an integrated and costed set of objectives, strategies and actions to substantially improve the quality of life at Fairfield. As the Councillors see themselves as the 'Government of Fairfield', the actions are comprehensive and are not limited to only those matters traditionally the role of local government. This is because the Council see its role as influencing, where necessary, the actions of other levels of government and the private and community sectors in the interests of its area and its people.

Encouraging all Councils with major social exclusion problems to adopt the Outcomes Model

It is proposed that, instead of top-down grant programs of specific purpose actions, the Commonwealth should encourage (require?) councils with major areas of social exclusion to adopt something like the Fairfield model with its clear responsibilities and accountabilities for the achievement of place and system outcomes. As well as encouraging a change to outcome focused organisations, there are some governance issues with local government which require attention.

Far more effective local government bodies can provide locally integrated and sustainable solutions to social exclusion.

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31 December 2007