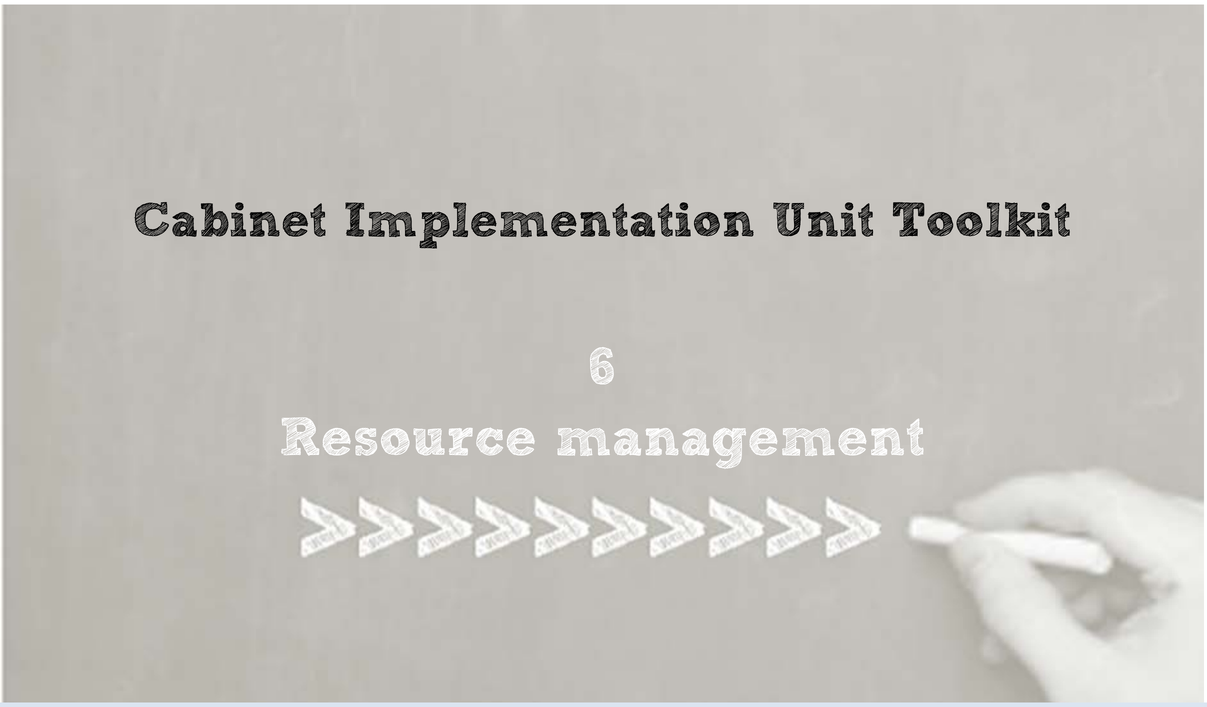
Australian Government

Department of the Prime Minister and Cabinet



It's not just about the money...

- Resourcing is not 'set and forget'. It needs to be active, agile and remain fit for purpose.
- The delivery mechanism chosen will have a big effect on resources—don't assume outsourcing will require fewer resources.
- Weigh up the benefits and costs of using different delivery mechanisms and make an informed choice on what resources will be required to deliver desired outcomes.
- Make sure you can track other interdependent programs. A delay in their implementation could have a significant impact on resources for the initiative you are managing.
- Start with the program-level resource needs and then drill down to the more detailed resourcing.

June 2013

The Cabinet Implementation Unit within the Department of the Prime Minister and Cabinet provides whole-of-government advice on implementation and delivery, with a focus on capability building, implementation assessments and progress reporting.

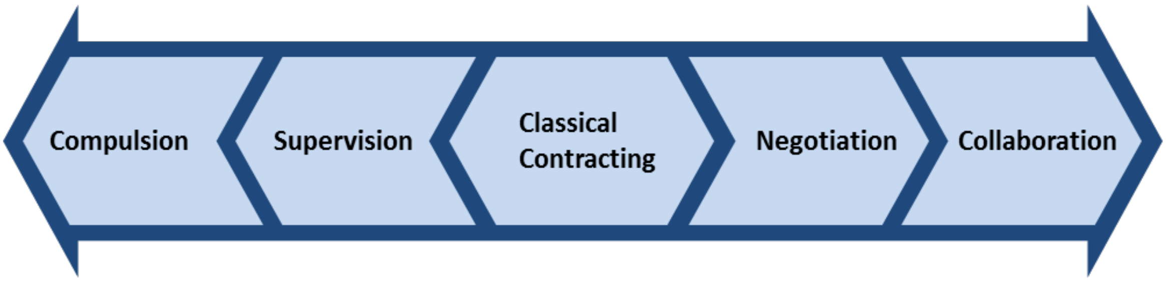
Elements of effective resource management

Resource management involves considering what resources—financial and non-financial—are needed for the initiative and how they will be used to deliver the desired outcomes.

These are the key elements of effective resource management:

- **Identify appropriate funding requirements** at the start and throughout the life of the initiative. The decision document developed during the policy design phase (for example, the new policy proposal or the business case) should also be used in the implementation phase. Update the business case throughout the life of the initiative to reflect any changes in costs, benefits and risks. The aim is to make sure that resourcing strategies continue to be fit for purpose and allow decision-makers to see how the initiative is tracking against key milestones.
- **Formulate a resource management strategy** outlining the delivery and management approach. The strategy should detail how all financial and non-financial resources will be managed to support delivery. Consider what resources the initiative requires to meet the government's broader outcomes, then flesh out in further detail how those resources will be acquired and managed, how long they will be needed for and the estimated costs. Resources might include the budget, office space, equipment, IT services and staff.
- **Establish agency resourcing requirements:** People are a key resource in successful implementation, so you'll need to have the right mix of skills and expertise in your implementation planning. While financial management expertise will be essential for the life of the initiative, different types of expertise will be required for its different phases. In particular, the type of delivery approach you choose may require different skills and expertise so that you get the best possible results.

Figure 1: Modes of coordination with external parties



Source: Based on Alford & Flynn (2012).

Hurdles to effective resource management

Some barriers that may impact on the ability of agencies to successfully plan and manage resource requirements include:

Vertical accountability mechanisms

Financial management reporting, expenditure delegations and procurement rules are often vertically focused, which can create challenges for complex cross-portfolio measures. It can also reinforce a silo mentality, where the focus is on delivering the goals of a particular component without considering the overall package of initiatives.

Bring all participants in a cross-portfolio package together to identify required resources. Establish governance arrangements that provide transparency over resource allocation across the package to help overcome the challenges to collaboration that vertical accountability mechanisms can create.

Intra-government complexity

Government is often required to deliver a range of initiatives that are interdependent. A delay or problem in the delivery of one initiative can have a significant effect on the resources required to achieve outcomes in another.

Project managers should map these interdependencies early in the planning stage and put in place mitigation, contingency, and reporting and information-sharing strategies so that these potential problems can be caught early.

Changes in focus or direction

Government priorities can shift, with a corresponding shift in resourcing commitments. A reduction or reallocation of resources in agencies can affect their ability to successfully deliver an initiative.

Agencies should consider contingency arrangements for reduced resources from the beginning of the initiative. It is important to understand which aspects of the initiative are critical to success (and must be resourced) and which are ‘nice to haves’. Make sure decision-makers understand the likely effects of reduced resources.

Strategies for success

Common strategies that ensure effective management of resources are:

Select a delivery mechanisms that best meets your objectives

Resource allocation and use will be most effective when the delivery mechanisms chosen are those most likely to bring about the desired outcomes. A mix of delivery mechanisms will often be required to effectively manage different external parties, and to ensure that all parties are contributing to the overall policy objectives. All delivery mechanisms require some degree of agency resourcing. The required skill sets for agency resources will depend on which delivery mechanisms are chosen to implement the initiative. Figure 1 shows a continuum of modes of coordination with external parties ranging from compulsion (the stick) to collaboration (the carrot).

The attachment outlines some common benefits and costs associated with each mode, which agencies should consider when deciding on the delivery mechanism.

Create the right environment and gather the right expertise

Consider the high-level resources required to implement the initiative before drilling down into the operational details. There are three categories of resourcing to consider:

- **Whole-of-government:** What conditions need to exist within the public service to facilitate the delivery of the desired outcomes? What resources are required to facilitate collaboration across Commonwealth agencies to improve communication flows? (This question is especially important for packages with interdependent programs.) What resources are required to define the roles and responsibilities of the different agencies, articulate how their roles relate to the overall objective and establish strong governance arrangements?
- **Organisational:** What changes are needed within agencies to manage the delivery of outcomes successfully? How do you get the right people for the right job at the right time? What equipment and space do you need to create a supportive working environment that is fit for purpose? What systems do you need to establish that are consistent and reliable for internal and external communication? How will you collect and analyse data to monitor and review progress?
- **Individual:** What skills and knowledge are required to manage the delivery of outcomes successfully? The expertise you need might range from big-picture thinking, negotiation, risk analysis and management, to mediation, interpersonal communications and team building. Are skills also required in financial and project management? Do you need expertise in collecting and analysing data? You should also consider how you will manage staff turnover and retain corporate knowledge.

Weigh up the benefits and costs of internal versus external delivery

It is unlikely that your initiative will be delivered wholly by government. You will need to decide which parts are better delivered by government and which by external parties. External parties could be a private sector organisation, a non-government or not-for-profit organisation, volunteers and/or state or local government. Conducting a thorough cost–benefit analysis is the best way to decide which parts of the initiative to source externally.

To get the best result for key government programs and policies, try to maintain a balance between taking advantage of the innovative practices of external parties, while also retaining in-house expertise in implementation to manage complex delivery arrangements. Assessing the benefits and costs of outsourcing implementation is a complex process that must continue over the life of the initiative to ensure resourcing decisions remain fit for purpose.

There are generally three categories of benefits and costs that need to be considered:

- **The goods or service being delivered:** Sourcing service delivery from the private sector can provide cost savings for government (for example, coordinated procurement arrangements for goods and services purchased in large volumes such as telecommunications and motor vehicle leasing). For other types of services, the cost impacts can vary from modest savings to increased costs.
- **The relationship required to manage delivery:** If delivery is sourced externally, the relationship with the external party will need to be managed, which may involve additional resources and costs. For example, resources will be required to run a procurement process and manage the contract on an ongoing basis, including monitoring milestones and performance.

  There are social benefits that can flow to government through the use of external parties, particularly third sector organisations and citizens, by keeping policy-makers in touch with the needs and wants of the public to improve the way services are delivered (for example, drug rehabilitation services or place-based initiatives in regional areas).
- **The overall strategic capability to implement the initiative:** While it is preferable to allow the market to deliver certain public goods and services, government is required to step in when the market fails to deliver (such as fire services, public transport and health services). Competency in implementation should be maintained within the public service to meet these goals. The overall strategic capability of the government as the provider of last resort of public services is a relevant consideration.

Integrating resource management

Consider the following questions when developing the resource management section of your implementation plan.

Planning

- ☐ How are resources allocated over the life of the policy or program and do they align with the achievement of outcomes?
- ☐ Are resourcing interdependencies clearly articulated?

Governance

- ☐ What resources are required to manage the relationships and interdependencies between lead and delivery agencies?
- ☐ Who in your governance structure will decide on the reallocation of resources?

Engaging stakeholders

- ☐ Do you have internal staffing resources with expertise in engaging stakeholders, including businesses, community groups and citizens?
- ☐ Have resources been allocated for a communications strategy to respond to stakeholder concerns?

Risk

- ☐ Are resourcing risks clearly identified and assessed?
- ☐ Can steps be taken to mitigate risks to resourcing?
- ☐ Do you have contingency arrangements?

Monitoring, review and evaluation

- ☐ Is there regular ongoing reporting on how resources are being deployed throughout implementation?

Management strategy

- ☐ Do you have the internal resources required?
- ☐ Do you have the resources necessary to establish a project management office (if that is part of your chosen management strategy and governance framework)?
- ☐ Does your chosen method accurately track resources?

Resources and further help

Alford, J & O'Flynn, J 2012, *Rethinking public service delivery: managing with external providers*, Palgrave Macmillan, London.

This publication assesses the ways in which government agencies can improve their delivery of services by utilising new ways of working—including contracting, partnering, client co-production and intergovernmental collaboration—to achieve better outcomes.

Althaus, C, Bridgman, P & Davis, G 2007, *The Australian policy handbook*, Allen & Unwin, Sydney.

This publication is an authoritative guide to the practice and process of public policy in Australia. It explains the relationships between decision-makers, policy advisers, non-government participants and the public sector in implementing government programs.

Blöndal, J 2005, 'Market-type mechanisms and the provision of public services', *OECD Journal on Budgeting*, vol. 5, no. 1, pp. 79–106.

This article describes different market-type mechanisms, surveys their use in OECD countries and analyses the issues involved in the area of service provision to provide an overall assessment.

Brown, T & Potoski, M 2003, 'Managing contract performance: a transaction costs approach', *Journal of Policy Analysis and Management*, vol. 22, no. 2, pp. 275–87.

This article analyses data from a 1997 International City/Council Management Association survey of municipal and country governments on the way in which they respond to transaction cost factors in contract service delivery. The results demonstrate that when governments contract for services in circumstances where there is a risk of contract failure, they use a variety of monitoring techniques to improve their ability to monitor contract performance.

Hodge, G 2000, *Privitization: an international review of performance*, Westview Press, Boulder, Colorado.

This publication examines international studies on the performance of privatisation activities and demonstrates that privatisation can lead to modest gains, but there are also winners and losers in this approach.

Huxham, C & Vangen, S 2005, *Managing to collaborate: the theory and practice of collaborative advantage*, Routledge, London.

This book provides new insights into managing collaborative arrangements, such as strategic alliances, public-private partnerships, joint ventures and industry networks.

Parker, C 2000, 'Reinventing regulation within the corporation: compliance-oriented regulatory innovation', *Administration & Society*, vol. 32, no. 5, pp. 529–65.

This article sets out the principles of compliance-orientated regulation with evidence of its effectiveness in achieving outcomes.

Selsky, JW & Parker, B 2005, 'Cross-sector partnerships to address social issues: challenges to theory and practice', *Journal of Management*, vol. 31, no. 6, pp. 849–73.

This article provides a consolidated overview of the literature on cross-sector partnerships to highlight recent developments in various disciplines.

Contact us

If you have any questions regarding implementation planning and delivery, please contact the Cabinet Implementation Unit:

www.dpmc.gov.au/implementation
implementation@pmc.gov.au
02 6271 5844

Cabinet Implementation Unit
PO Box 6500
Canberra ACT 2600
Australia

Attachment: common benefits and costs associated with using external parties

Mechanism	Advantages of this approach	Key issues to be aware of
Contracting out Government engages an external party to deliver a program and/or policy on its behalf	Ideal for when the goods and/or services are known and can be easily specified (e.g. cleaning or waste management, IT services, legal services). Clearly outlines the roles and responsibilities of the respective parties in advance, particularly where it involves consortiums or subcontracting relationships. Utilises the profit motive of the private sector to achieve value for money. Allows for flexibility and innovation in how the service is delivered.	Uncertainty over what outputs are required to achieve program/policy outcomes at the time of formulating the contract can result in higher costs if contracts require renegotiation. Monitoring service delivery against performance standards can be difficult and costly if you are relying on information and expertise held by the external party (Blöndal 2005). Risk is not necessarily transferred—government is still accountable to the public even if it is not directly responsible for delivering the service.
Partnering Government shares the delivery of a program and/or policy with external parties	Ideal where a competitive market does not currently exist to deliver the goods and/or services for a cost-effective price without government incentives, e.g. public–private partnerships for vocational training or community partnerships for cultural programs. More collaborative approach, built not only on monetary rewards but 'in-kind' support to achieve outcomes. Promotes learning and innovation that can flow across government by teaming up with relevant external expertise (Selsky & Parker 2005). Flexibility to make changes in the implementation of the program and/or policy with increased information sharing allowing for easier evaluation of delivery progress.	There is a risk that an external party could take advantage of the flexibility in the arrangements for their own benefit unless trust can be developed to support the relationship. Changes in government priorities or a reduction in funding in areas where partnerships are being utilised can affect the viability of the relationship, e.g. a government decision to freeze grants that many third-sector organisations rely on for their existence. Governments sometimes have responsibilities that are seen to compete with the values of some charitable organisations, e.g. punishing drug users but also providing rehabilitation services to assist addicts.
Regulation Government imposes rules or obligations on external parties to deliver a program and/or policy outcome	Ideal when compliance is viewed as essential to deliver an outcome that has a wider public good, e.g. environmental regulations that prohibit the dumping of waste in waterways, laws that require passengers to wear seatbelts, etc. Voluntary compliance is preferable as it is less costly to enforce and promotes the wider adoption of behaviours that contribute to achieving program and/or policy outcomes. Voluntary compliance can be fostered by	If an external party perceives the regulation to be too rigid or unjust in its application, they will be less likely to comply voluntarily. Sanctions for non-compliance can have the opposite effect of discouraging external parties from wanting to contribute to the program and/or policy outcome if they are excessively costly or disproportionate. If regulatory arrangements are too complex to interpret, external parties

Mechanism	Advantages of this approach	Key issues to be aware of
	providing *material* rewards, e.g. a reduction in operating costs if regulations are followed, or *intrinsic* rewards, e.g. enhancing the reputation of an organisation by acknowledging it as a 'leader' within their field (Parker 2000). Providing information and resources to ease the regulatory burden will contribute to voluntary compliance.	will only meet minimal standards to minimise their costs which will impact on the delivery of optimal program/policy outcomes.
Client co-production Government uses the behaviour of clients to contribute to delivery of a program and/or policy	Ideal where action from clients can support the implementation of a broader program and/or policy outcome, e.g. requiring jobseekers to look for work, attend interviews and take up training opportunities to achieve the objective of reducing unemployment or welfare spending. Using clients to deliver public goods and/or services can ensure that these are tailored and responsive to individual needs while also contributing to broader outcomes. Some form of ownership for outcomes is passed to the client, which can increase support for government programs and/or policies (support that is reinforced by the client receiving private benefits).	Can be costly, as relying on clients to shape their behaviour can require a significant amount of resources with variable results. There may be a reluctance by some clients to engage with the program and/or policy if they don't see the benefits or support the wider outcomes. Some clients may not have the ability to actively contribute to the delivery of outcomes due to insufficient resources, education or time. This will need to be considered before developing the arrangement.
Multiparty networks Government is engaged in a variety of arrangements with a range of external parties to deliver a program and/or policy	Ideal where the policy problem is complex, a large number of external parties are undertaking activities within the same sector and their actions can be utilised to achieve a common purpose. Examples include the Clean Energy Future Package of initiatives, Closing the Gap on indigenous disadvantage, the Murray–Darling Basin Plan, etc. Can create significant 'value add' to the implementation of a program and/or policy by taking advantage of the different capabilities of the respective parties. The fluid nature of networks allows for collaboration with a wide range of external parties, which strengthens the support and legitimacy of government as a provider of solutions to big problems.	Involving a large number of parties in the implementation of the program and/or policy adds to the complexity, especially in gaining agreement to shared outcomes when stakeholders have different priorities. Extensive collaboration is required to coordinate and manage delivery of stated outcomes, which can be time-consuming and resource intensive. Parties can develop 'partnership fatigue' due to the resources required to manage and maintain this collaborative type of arrangement (Huxham & Vangen 2005, p. 69).