9

Does Outcomes-Based Reporting Contribute to or Contradict the Realisation of Social Outcomes?

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Introduction

Over the past two decades or more Australian and New Zealand governments have progressively shifted the locus of much human service provision from the state (government-owned entities) to non-state providers—especially not-for-profit (NFP) organisations. To satisfy the need for accountability, government 'purchasers' of services have also required reporting on outsourced services to ensure that public funds are well spent. But in the past few years, our perception of what it means to spend money 'well' has changed. Today we are witnessing a trend towards maximising not just *what* money was spent on or how much *activity* occurred, but how much people's lives were affected.

This chapter examines the value of reporting, both for NFP service providers *and* for their government funders, and looks at ways by which this value can be increased. It proposes that if funders are to truly focus on outcomes, the design of their reporting requirements and the manner in which reported information is used *must* be better aligned to the furtherance of the outcomes they pursue. It argues that reporting should be *for* outcomes, rather than just *on* outcomes—that is, reporting should not just describe the outcomes of a program, but also enhance or contribute to those outcomes. Likewise, it argues that reporting needs to serve all stakeholders who are in a position to use the information generated to further outcomes. Of necessity, this entails a much greater degree of reciprocity in reporting than is commonly seen at present. It is not sufficient for information to flow in only one direction (from service providers to purchasers/funders). It also argues the need for government funders to report back to NFP service providers and their clients.

Background

Over the past few decades the role of government—at least in the industrialised West—has steadily shifted from that of a 'provider' of services to that of a 'purchaser' of services (Collins-Comargo et al. 2011; Koning and Heinrich 2013; Martin 2005). This shift has been underpinned by the logic of competition and, unsurprisingly, has been accompanied by the application of competitive processes for the allocation of funding (NSW DPC 2009). Although Australian governments have, since the 1970s, provided funding to NFP organisations in the form of grants-in-aid to undertake activities complementary to state provision (effectively, a form of state philanthropy), the making of grants in the community social service space has largely given way to service procurement via contracts, especially in the human services space (Childs 2014; NSW Ministry of Health 2013).

Moreover, as illustrated in Figure 9.1, the shift from provider to purchaser has served to transform the nature of reporting on expenditure. When governments provide services directly—that is, when services are provided by government employees of a government-owned entity—reporting tends to be vertical and hierarchical. Furthermore, the emphases of such reporting tend to be on: 1) the acquittal of funds appropriated for particular purposes; and 2) the quantum of outputs provided (for example, bed days, hospital admissions, kilometres of road sealed and so on). The absence of separation between the purchaser and the provider can act to militate against accountability to executive government and the public.

When government purchases services from third parties, however, reporting can better serve the purpose of enhanced accountability: it can allow government to monitor what it is paying for, assess the quality of services provided, compare contractors and leverage value for money and innovation through competition, as well as validate that services are being delivered in accordance with contractual requirements.

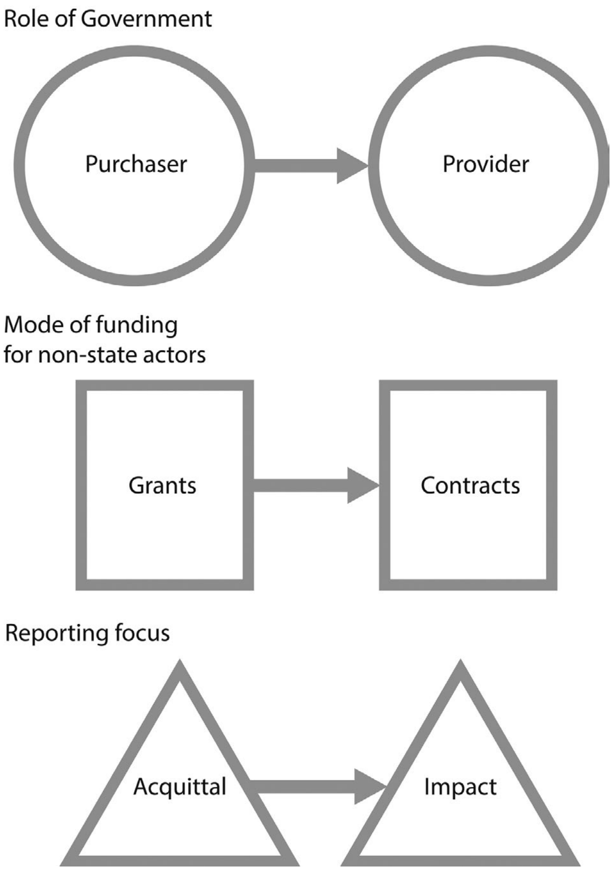

Figure 9.1: The changing role of government

Source: Created by the author.

In short, reporting helps government manage the varieties of risk associated with the outsourcing of services. Here, it is important to note that in policy areas such as disability and aged care the advent of individualised/person-centred funding is further transforming the role of government from a purchaser of services to a market steward (Easton 2015). This will almost certainly be the case with Australia's National Disability Insurance Scheme (NDIS) (see Nevile, Chapter 12; and Needham, Chapter 15 in this volume).

Just as the modus operandi of government service delivery is changing, so too are our expectations of government. Government services were once judged almost solely on broad criteria such as availability and accessibility. Measures of availability include the number of sites offering services, as well as opening hours, waiting times and how well locations match the geographical distribution of need. These are still important considerations for publicly funded services, but in recent years they have been augmented by measures of 'efficiency'. These tend to focus on activities and outputs such as the number of registered clients, the volume of service transactions, the number of appointments conducted or how long each phone call takes. They are often expressed as ratios of outputs to inputs. Of these ratios, the most common seeks to assign a cost per unit of service. Furthermore, a concern for efficiency lies at the heart of much government outsourcing: the belief that the cost structures of direct government provision are prohibitively high in comparison with the private and NFP sectors.

If, however, a concern for efficiency is unaligned with a concern for 'effectiveness', perverse outcomes can result: services that are inexpensive on a unit-cost basis that nevertheless fail to deliver desired impacts. For this reason, we have in recent years seen reporting frameworks broaden to embrace not just technical and economic efficiency, but also effectiveness (Goldsmith 2010). We are thus moving beyond asking how much government-funded services cost per unit of service provided to asking whether, and to what extent, funded services achieve positive outcomes for the people they serve (see Figure 9.2). This chapter focuses on government-funded services that are about producing 'outcomes' for people—usually the people with the greatest needs in our community—and considers how we might align every part of a service, including its reporting framework, towards improving outcomes.

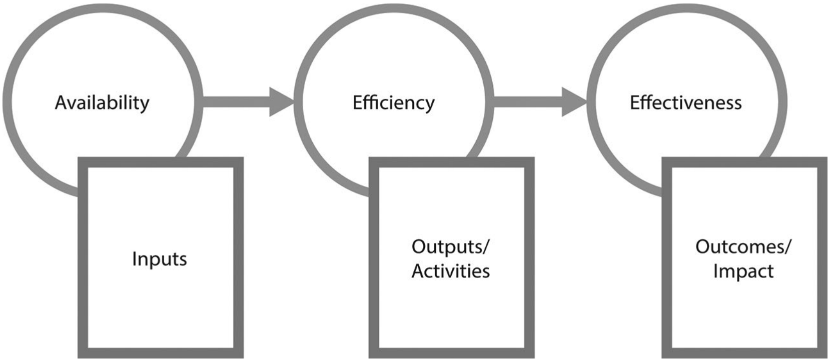

Figure 9.2: Changing expectations of government
Source: Created by the author.

The link between reporting and outcomes

To accommodate a focus on outcomes, government commissioners and purchasers of services are redesigning contracts to directly link payments with outcome improvements (NSW DPC 2015). This can include coupling incentives and sanctions with providers' performance in relation to prescribed outcomes, targets and associated measures. In 2009 the NSW Government announced its intention to move towards 'outcome based monitoring to assess compliance rather than financial reporting, where appropriate' (NSW DPC 2009: 14). Other Australian jurisdictions have followed suit. Examples include the Tasmanian Government's *Funded Community Sector Outcomes Purchasing Framework* (Community Sector Relations Unit 2014), the Queensland Government's *Outcomes Co-Design* framework (Department of Communities, Child Safety and Disability Services 2015), the Victorian Government's *Outcomes Framework* for human service system reform (Department of Health and Human Services 2015) and the Australian Capital Territory through its community sector reform initiative (KPMG 2016).

Reporting requirements can, however, conflict with the achievement of desired outcomes. Sometimes reporting requirements are onerous in terms of staff time commitment, resulting in staff spending a disproportionate amount of their time managing reporting systems rather than delivering services. For example, Considine and Lewis

(2010) found that in the first 10 years of outsourced employment services in Australia the proportion of time that caseworkers spent on administration increased while the proportion of time spent with jobseekers dropped from 50.1 per cent to 45.7 per cent. While one might well imagine that government contract administrators would want caseworkers spending as much time as possible helping jobseekers find work, they nevertheless designed systems of administration and reporting that worked against this.

Reporting regimes can also create perverse incentives (see Ronalds, Chapter 16, this volume) that lead service delivery staff to engage in activities that are contrary to best-practice service delivery. For example, call centre staff are often monitored according to how long their calls are, with shorter calls being more highly valued. However, some callers have more complex needs than others and require solutions that take much longer to put together. Where funding agreements place a higher value on throughput (measured as the number of discrete transactions), call centre staff are under pressure to limit the time they spend on complex cases.

It is worth remembering that an outcomes focus is not always the prime consideration for all services. Sometimes all that is desired is efficiency. For many government services—such as processing tax returns, renewing vehicle registrations, registering for benefits and verifying personal identification—citizens are not looking for their lives to change, they just want these things done right and fast.

Reporting: The definition

Understandably, organisations delivering services on behalf of government are expected to formally report back to the purchasing entity. This is partly for the purposes of ensuring contractual and legal compliance, as well as demonstrating accountability: to ensure that public funds have been spent in the manner for which they were intended. In practice, the bulk of reporting required by government purchasers focuses on the acquittal of expenditure and activity. The reporting landscape is changing, however, and government purchasers are increasingly looking to funded organisations to report on the outcomes produced for beneficiaries or clients so as to demonstrate the impact achieved by public policy (Westall 2012;

ACEVO et al. 2012). This chapter argues that reporting needs to be reframed as a process of strategic communication that helps inform and focus stakeholders on what is important and what can be learnt from prior service delivery. Reporting amounts to a great deal more than simply the public annual reports of an organisation; it includes *all* communication of results to *all* stakeholders. In this chapter, the concern is the subset of reporting that is focused on the changes in people's lives (outcomes) produced by social services delivered by social purpose organisations on behalf of government.

It is now broadly accepted that reporting on inputs (dollars, human resources, capital) and/or outputs (units of service produced, number of transactions, registered clients) is not sufficient to provide real insight into the impact that services have on people's lives. Any redesign of reporting frameworks to better support the purpose of improving the outcomes of services needs to encompass *what* is reported, *to whom* it is reported and *how often*. However, the business systems within which public sector purchasers of mandated services operate are steeped in a culture of compliance. Reporting is largely 'one-way traffic' with little in the way of feedback or value adding to service providers. Service provider organisations commonly observe that they expend precious time undertaking compliance activities that add little to the task of service delivery and result in reports that 'disappear' into a black hole of bureaucracy.

This chapter proposes that the onus is now on public sector purchasers to place their reporting frameworks in the service of achieving desired outcomes. In short, reporting frameworks can become an important tool for engagement as well as a *real-time* strategic resource for the ongoing management of services and adjustment of service delivery. To do this, reporting—as strategic communication—should serve the needs of a wider range of stakeholders, including: beneficiaries and clients, service managers and frontline staff, collaborative partners and ancillary service providers, executive management and boards, funders and regulators and affected communities (ACEVO et al. 2012). As mentioned previously, the advent of person-centred approaches to funding such as Australia's NDIS makes it even more important to recognise beneficiaries/clients as a key audience for reporting.

The burden of reporting

Reporting on outcomes is strongly coupled with methodologies for 'impact measurement'—the estimation and recording of the effect of a service or program. But who bears the costs associated with such a methodologically complex and potentially resource-intensive undertaking? In the United Kingdom, research undertaken in 2013 by New Philanthropy Capital (NPC) found that 75 per cent of funders claimed they provided support for impact measurement while 64 per cent of charities surveyed claimed that their funders did *not* pay for impact measurement (Kail et al. 2013: 4–5). This apparent discrepancy is strongly suggestive of a significant disconnect between funders and the organisations they fund around the burden of reporting. These findings are consistent with the commonly reported claims of Australian funded organisations that they are not compensated for the financial impost of reporting pursuant to their contractual obligations.

Reporting should not be about 'ticking the accountability box'. As Tweedie observes (Chapter 10, this volume), reporting frameworks can act to impair accountability even in organisations acting with the best of intentions. Indeed, Australia's NFP sector abounds with tales of reporting frameworks that are strategically unaligned with the purposes for which funding is provided and that add little reflexive value to policy. Furthermore, many NFP organisations claim they are subject to multiple reporting, compliance and accountability requirements. A NSW Government consultation undertaken in 2009 identified a number of reporting and contracting burdens claimed by funded NFP organisations (summarised in Figure 9.3). They used the umbrella term 'red tape', which included the reporting burdens of progress status reports, external audits, formal and informal monitoring and annual statements.

Figure 9.3: Red tape issues for NGOs
Source: After NSW DPC (2009: 8).

Leveraging wider benefits from reporting

Measuring and reporting on outcomes are not easy. A recent study published as part of the Bankwest Foundation Social Impact Series found that 'community sector organisations and funders' in Western Australia 'are struggling with outcomes measurement, and facing critical barriers at the organisational and systems levels that are impeding progress' (Bankwest Foundation 2015: 2). The study found that the areas in which NFPs struggle with their outcomes measurement include the articulation of outcomes, estimating cost–benefit ratios and making the best use of existing data (Pro Bono Australia 2015). At the organisational level, critical barriers to outcomes measurement included a lack of internal capacity, fragmented funding, problems with staff engagement and access to data and the use of inconsistent language (Pro Bono Australia 2015).

For an example of better practice in outcomes reporting let us consider a non-state funder in the United Kingdom, the Diana, Princess of Wales Memorial Fund.[1] Its journey illustrates how a funder can take a leading role in measurement and evaluation and work with grantees to improve outcomes. A strategic review undertaken by the fund in 2006 identified a failure to reap the benefits of their evaluations of the programs they funded. Although many evaluations were done, they were of variable quality and their findings were often not shared or acted on. The fund implemented a number of changes to leverage greater value from their evaluation and reporting practices. One critical innovation was to achieve a separation of 'compliance' from 'learning': 'Compliance answers the question, "Did you do what you said you would?" Learning focuses on asking, "What broader lessons can be draw from this project?"' (Rickey et al. 2011: 37–38).

Consequently, the fund's approach to 'learning' was to provide information that can be acted on to adjust and improve a grantee's activities. As observed by Rickey et al. (2011: 37–38): 'Before, there used to be endless reports and endless standard evaluations with a lot of detailed questions. The new approach has enabled staff to spend more time focused on improving the impact of projects, rather than simply on compliance monitoring.'

Not only did this benefit the fund (by providing assurance concerning impact) and their grantees and beneficiaries (by facilitating improved performance in relation to outcomes), the external sharing of learnings from the evaluation process also benefited other organisations.

1 The Diana, Princess of Wales Memorial Fund was established in 1997 as a grant-making charity to honour the late Princess's humanitarian work by supporting 'people on the margins of society and of the charities that work alongside them'. Between 1997 and December 2012, when the fund closed, 'it had awarded 727 grants to 471 organisations, and spent over £112 million [$212.6 million] on charitable causes'. See: dianaprincessofwalesmemorialfund.org/about-fund (accessed 8 April 2016).

Can the benefit overtake the burden?

According to Pritchard et al. (2012), charities often start down the impact measurement road only under pressure from funders. Although NFP service providers often find that an enhanced focus on outcomes/impacts can lead to improved services (Pritchard et al. 2012), it is important to recognise that there can be significant cultural, financial and technical impediments that militate against the embrace of impact measurement. In an ideal world, the measurement of outcomes would be a strategic choice, rather than a response to the coercive actions of purchasers/funders.

Ideally, information systems are designed to aid the delivery of services by frontline staff. Staff should be encouraged to value the information stored in the system and this will create incentives to enter this information accurately and completely. One possible by-product of such a system might be automated reports for a range of stakeholders. Stakeholders will find the information useful and valuable and will help to complete the virtuous circle by providing positive feedback and suggestions for service and data improvement.

Although the barriers to the redesign of business processes to support impact measurement can be intimidating, there are examples of organisations whose investment in redesign of data systems has paid off. Daniel Leach-McGill described how one such investment in system redesign won over frontline staff at Australian children's charity Good Beginnings:

> The biggest hindrance is that it eats into the time our workers want to spend with clients. When staff have been able to find a direct use of the system, they interact more with it and data quality improves. Some sites are using reports straight out of the system for clients to take to court as evidence, for example when access to their children is being reviewed. They're able to generate a report of attendance and snapshot summary of sessions over time so that the client is able to use and own it. When they can see its use, the value of the system overtakes the administrative burden. (Tomkinson 2015a: 14)

Government funders need to be proactive about pursuing outcomes through measurement and reporting, but it does seem that practices are improving. In the most recent NSW state of the community services sector survey, more respondents reported that their relationships with the NSW Government in relation to reporting and compliance had strengthened (34 per cent) than said it had weakened (9.2 per cent) (Cortis and Blaxland 2015). This was consistent with the previous year's results (Cortis and Blaxland 2014).

'Ability Links' offers a good example of outcomes reporting expressly designed to work *for* service providers. An initiative of the NSW Department of Family and Community Services, in partnership with consulting firm Urbis, the Ability Links evaluation framework was developed in close consultation with service providers via an iterative process in which all results are published on a dedicated website (abilitylinksevaluation.com.au). Ability Links is a program to support people with disabilities to pursue their personal goals while helping local communities become more inclusive and supportive. Rather than specify the outcomes from the beginning, the evaluators asked participants and staff over the first couple of years what outcomes were achieved, and these are what are now reported on.

For service providers working with a few clients for a long period, reporting occurs as outcomes happen, rather than at a set frequency, resulting in a reduced reporting burden over the duration of the intervention. Outcomes reported are ascribed social, economic and environmental values and are used by the department in their decision-making for the future. In addition, not only are evaluation reports prepared and provided to the NSW Government, but also all providers are supplied with each report as it is developed (Tomkinson 2015b).

Who's reporting to whom? The value add

When information flows only in one direction—from funded organisations to their funders—much of the potential value of reporting is lost. For reporting to contribute to outcomes it needs to have a capacity to communicate with a range of stakeholders using a variety of platforms and methods, including:

- annual reports, annual reviews and impact reports
- management information, board reports and organisational reviews
- reports to funders, supporters, investors and commissioners
- internal communications with staff and volunteers

- communications materials, such as websites, brochures and leaflets
- fundraising materials
- key messages about the organisation
- communications with, and feedback and responses from, its beneficiaries (ACEVO et al. 2012).

There are many ways in which it would be possible for governments to add value to the data they receive and share it with stakeholders. Governments collect vast amounts of data in the course of running tendering processes for community-based human services, yet beyond using this information for the purposes of determining successful bidders there is little evidence that governments are capable of exploiting the full value of this rich mine of information. The data contained in tender documents and compliance reports could be enormously useful for identifying service gluts and gaps, biases in their own procurement processes, better practices that could be shared and opportunities for organisations to collaborate or learn from one another. At present, however, much of the value of the information collected by governments as purchasers of services is lost and is not used to contribute to better outcomes. This amounts to a failure on the part of public sector purchasers to realise their potential to add value as a key stakeholder in the service delivery supply chain.

The reporting process should reward organisations that are delivering and improving outcomes. Many funders in the public and private sectors have policies of funding an organisation only once or funding them forever, regardless of the outcomes they achieve. In addition, some funders have a policy of requiring the return of any surplus generated by improved efficiency. The failure to reward performance, or indeed to effectively punish good performance, results from the absence of any meaningful nexus between performance and funding. Under such conditions there is little incentive for organisations to report on outcomes (Pritchard et al. 2012).

It is important to reiterate that the definition, measurement, attribution and comparison of outcomes are complex and difficult undertakings. In some cases, claimed outcomes cannot be reliably attributed to particular interventions and instead reflect differences in populations or other factors external to the policies, programs or services in question (Cohen 2016; Lester 2016).

The way outcomes are defined affects how they are pursued

If we accept the desirability of reporting on outcomes, we ought to also accept the virtue of feedback loops through which the measurement of outcomes generates new insights that in turn inform refinements of the service delivery models that produced the outcomes in the first place. It can be argued that all measures of outcomes create incentives and, to the extent possible, when defining outcome measures it is also necessary to anticipate any incentives that might arise.

Let us consider two examples from the United Kingdom: 1) the contract for HMP Doncaster, a privately operated Category B prison managed by Serco; and 2) the contract for the HMP Peterborough Social Impact Bond. For Doncaster Prison, the outcome measure was the proportion of offenders who commit at least one offence in the 12 months after release and are convicted at court (Ministry of Justice 2014b). For Peterborough Prison, the outcome measure was the frequency of reconviction events, based on offences committed within 12 months of release from prison and convicted at court (Jolliffe and Hedderman 2014).

The Peterborough Prison measure encouraged service providers to work with the most prolific offenders over the entire 12 months post release, regardless of whether or not they were reconvicted in that time, as each offending event continued to be counted (Nicholls and Tomkinson 2013). In contrast, the Doncaster Prison measure encouraged the service provider to cease working with a prisoner as soon as they were reconvicted, as they immediately ceased to count for the outcome payments: 'The Alliance chose to withdraw community support for offenders who are reconvicted within the 12 month period post-release as they feel that this does not represent the best use of their resources' (Hichens and Pearce 2014).

It seems clear that the outcome measures adopted for each prison created quite different incentives with the potential for significantly different consequences for the reintegration of released offenders and observed rates of recidivism.

Objectives served by reporting

As has already been observed, it is generally accepted that funded organisations are required to report back to government to provide assurance that public money has been well spent. One might indeed go further and suggest that public money can only said to be spent well when such expenditure results in positive changes in people's lives (subject, of course, to the application of some reasonable test of value for money). If positive change—the production of outcomes—is indeed the goal of public policy and investments in social programs, decisions about the design and implementation of reporting regimes should be consistent with this goal.

Too often, however, the business systems underpinning the outsourcing of social programs and services have militated against the maximisation of outcomes. Examples abound of prescriptive contracts that restrict providers from adjusting the mode of service delivery to improve reporting systems, that force providers to repeatedly provide the same information, and digital reporting systems that will not integrate with provider systems or even allow providers to export the data for their own use. And yet, public sector funders are sometimes slow to accept that their business systems, operational policies and practices are what reduce the ability of providers to produce the outcomes they are funded for.

Reporting can also be used to support the benchmarking of external providers. One of the clearest examples of benchmarking in the Australian context is the 'star rating' system used by Job Services Australia to:

- enable jobseekers to assess the comparative performance of providers in their local area
- give providers a measure of their contractual performance
- allow the department to drive improved performance and allocate business share to providers (Department of Employment 2015).

The star ratings measure the relative performance of providers for each site across Australia by calculating a performance score for two contractual key performance indicators (KPIs) over the most recent three-year period: KPI1 'Efficiency' is the average time taken by providers in comparison with other providers to assist relevant participants into employment; and KPI2 'Effectiveness' is the proportion of relevant participants for whom placements and outcomes are achieved (Department of Employment 2015). These scores are then used to calculate a national average performance score and star ratings are subsequently allocated on the basis of the comparison of individual site performance scores with the national average (Department of Employment 2015). For example, all sites with scores 40 per cent or more above the national average are allocated five stars. Providers with one or two stars risk having their contracts suspended, terminated early or not renewed. The star ratings and their associated 'star percentages' are detailed in Table 9.1.

Table 9.1: Job Services Australia star rating and star percentages

Star rating	Star percentages
5 stars	40% or more above the average
4 stars	Between 20% and 39% above the average
3 stars	Between 19% above and 19% below the average
2 stars	Between 20% and 49% below the average
1 star	50% or more below the average

Source: Based on Australian Government (2012).

In 2002, the Productivity Commission reviewed the employment services system and concluded that 'it incorporates strong incentives—particularly through the star rating system—for providers to improve their performance without direction by government' (Productivity Commission 2002: xxxiv).

While the amount of variation between providers has narrowed over time, an unforeseen consequence of the star rating system has been that the number of employment services providers has dropped from 306 for the first round of contracts in 1998 (DEWR 1998) to only 44 for the 2015 round of contracts (Australian Government 2015).

Whose data?

The requirement imposed by government commissioners and purchasers of services on external service providers to demonstrate outcomes carries with it an implicit assumption that the data necessary to demonstrate impact necessarily originate at the point of service delivery. Sometimes, however, government entities are the custodians of records that are more detailed and reliable than any dataset held by an external service provider. Government-held records can represent a mine of invaluable information for the purposes of gauging the impact of policy and programs. This is particularly true in the criminal justice space where records arise through interactions with police, court appearances, sentences and incarcerations.

In the United Kingdom, the Ministry of Justice established the Justice Data Lab to calculate the effect on reoffending of programs for offenders using data drawn from the National Police Database. Using 'propensity score matching', the system compares offenders who have participated in a program with offenders with similar offending histories who have not participated in a program. The reoffending of the two groups is compared to calculate the 'effect size' of participation in an offenders' program. This service does not involve additional cost to providers and is available to both public sector and externally provided programs. One of the conditions of the lab is that results are published (Ministry of Justice 2014a).

The system is not fail-safe, as it is possible for providers to submit data for a subset of offenders that have improved the most. Despite such caveats, the Justice Data Lab marks an important innovation that enables external providers to obtain an estimate of the effect of their programs without huge expense. Since the Justice Data Lab was established, the UK Department of Work and Pensions has announced it will pursue a similar initiative. As far as results have gone, the majority of programs submitted to the Justice Data Lab have not shown statistically significant effects. Of those that did show an effect, most appeared to reduce reoffending, although several were associated with an increase in reoffending.

There is an abundance of data held by governments and external providers that are never used by anyone. Although we are good at collecting data, we have not been nearly as good at creating meaning from data collected in the course of social service delivery. Barriers to the creation of meaning include failures to invest in (including disinvestment in) analytical capability, contracts that fail to make financial provision for data collection and systematic evaluation and the prevalence of rules-based organisational cultures that are concerned more with compliance than with continuous learning and improvement.

Shifting the focus from compliance to learning

So, how might the shift from a 'compliance culture' to a 'learning culture' be accomplished when it comes to the commissioning and procurement of publicly funded human services? This is a complex and multifaceted question. Certainly, a greater appetite for experimentation and risk-taking is a prerequisite—qualities not strongly in evidence in the Australian Public Service, according to Peter Shergold (Chapter 2, this volume). We are, therefore, obliged to look further afield for inspiration.

The Education Endowment Foundation, funded by the UK Government, supports an evidence-based approach, with experiments conducted in hundreds of schools across the United Kingdom. These experiments home in on components of programs, such as mentoring or homework, to identify factors and variables that contribute to positive outcomes for students. The results of the experiments are published in an easily accessible digital format. This enables teachers to make informed decisions about teaching strategies and practices they might want to bring into their own classrooms (Education Endowment Foundation 2016).

A key barrier to achieving outcomes in our changing world is our attachment to certainty. If we can let go of needing to be certain that we are doing the right thing, we open ourselves up to being able to adjust and adapt to the context, populations and localities we are serving (Schorr 2016).

As Tony Fujs of the Latin American Youth Center says, 'continuous improvement is the key to performance management. It's the idea of the continuous dynamic learning, positive feedback loop that you put in place' (cited in Leap of Reason 2016).

The Leap of Reason initiative in the United States offers one example of an organisation that seeks to 'influence a mindset change among leaders who play a significant role in the social and public sectors and who are motivated to create meaningful, measurable, and sustainable improvement in the lives of individuals, families, and communities' (Leap of Reason 2016). This it aims to do by inspiring leaders to expect and support:

- highly effective, high-performing organisations
- mission-focused, performance-driven leadership
- disciplined, informed management
- talented staff functioning within a culture of continuous improvement
- funding based on reason and results rather than blind faith or photogenic anecdotes (Leap of Reason 2016).

The Leap of Reason initiative provides resources and case studies to inspire leaders of social purpose organisations to raise their performance through a focus on mission, information and evidence.

Another organisation—this time from the United Kingdom—that has implemented a similar approach is Social Finance (2016a), which is 'a not for profit organisation that partners with the government, the social sector and the financial community to find better ways of tackling social problems in the UK and beyond'. The models used by Social Finance are driven by social *and* financial returns: 'We provide high quality financial and data analysis, create robust financial and delivery models and we build relationships between different sectors to produce better solutions to societal problems. We focus on delivery and what works' (Social Finance 2016b).

The cycle of information and analysis in Figure 9.4 is based on practices pioneered by Social Finance.

Figure 9.4: The impact analysis cycle

Source: Tomkinson (2015a).

The six components of the cycle in Figure 9.4 are broken down as follows:

1. As a service is delivered, the participants in the service not only give consent for their data to be collected, they also consent to it being analysed by providers and shared between them.
2. The data are entered into a case management system that allows client records to be accessed by service delivery personnel employed by all relevant organisations engaged in providing the subject program or intervention service. The system should be designed in close consultation with frontline staff in order to mirror the service that is being delivered. The nature of the data and the manner of its collection will be driven by the requirements of service delivery with analysis undertaken by a dedicated performance analyst.
3. Performance analysts 'drive' the data sharing and collection system through developing close relationships with all stakeholders, front-line staff in particular. It is their role to extract meaning from the data and communicate it to the relevant stakeholders.
4. It is entirely possible for service delivery staff working at the coalface to directly observe apparent patterns, trends or effects amongst a small cohort of clients. Having the ability to work with an analyst to test and validate their 'field observations' using data drawn from hundreds, or even thousands of cases can give them unprecedented insight and a basis for service improvement.

5. The analysts are also responsible for feedback loops and reporting, but this is reporting that is a consequence of the system, not the purpose of the system. They report to funders, to government, to other collaborators, to managers, and to all frontline staff members. For frontline staff members these reports are individualised, so each staff member receives useful information about their own clients.
6. Gathering and analysing data, and maintaining strong networks of stakeholders, is pointless without the capacity to adjust the mode of service delivery in response to new information and new insights. This is perhaps the hardest part of this system. To be effective, it needs to be an iterative and collaborative process so that changes are sensible, supported and continue to be analysed for their effect. (Tomkinson 2015a)

In closing

If the foregoing discussion has a somewhat discursive character the reader might consider that this is not unlike the nature of impact reporting itself—or at least, as it is too often practised. This volume and most of the chapters it contains adopt as their pivotal theme the existence and persistence of gaps and disconnects—between rhetoric and reality, between social investment and social return and between effort and impact. So, what are some of the take-home messages?

First, we have a situation in Australia that sees governments routinely gathering and archiving massive amounts of information generated by the delivery of services and yet failing to fully exploit the unrealised potential of this goldmine of data. In one sense, this could be seen as an inevitable consequence of a pervasive compliance culture more concerned with fiscal discipline than with organisational learning and systems redesign. It might also be argued that over the past two decades or more the inexorable embrace of outsourcing has been accompanied by the divestment of the internal analytical capability necessary to meaningfully interrogate the metadata generated by externalised service provision for strategic purposes. Indeed, there is ample colloquial testimony inside and outside the Australia public sector that such 'hollowing' is a reality. For example, outsourced employment services in Australia have produced an extraordinary amount of data from hundreds of service providers over almost two decades, but there has been little analysis to add value to those data and feed the lessons back to the organisations delivering services and their staff, let alone to people accessing services who might benefit from reflective analysis.

Second, the purchaser–provider dichotomy reinforced by purist procurement approaches to outsourcing in the social policy space has tended to reinforce a hierarchical, vertical command-and-control mentality that serves to impair strong relationships of reciprocity and trust between government entities and external service providers. In addition, government is not the only game in town when it comes to investing in third parties to deliver public benefit. There are many large charities and foundations both in Australia and (especially) overseas that channel hundreds of millions of dollars to NFP organisations from whom governments might learn a great deal about reporting for impact, working collegially across sectoral and organisational boundaries and transmitting learnings. This represents a huge—and, to this point, unrealised—opportunity for government to learn from other funders.

I will conclude by sharing four powerful ideas proposed by Buteau et al. (2015) that offer valuable guidance to organisations from *any* sector engaged in the business of financing social benefit. Although developed initially for foundations funding grantees, these ideas are equally applicable to governments funding contracted service providers:

Idea #1

Engage in more and deeper discussion with grantees about their performance assessment and management efforts.

- Understand how grantees are investing in their capacity for assessment.
- Ask grantees what performance information they are collecting to assess their organisation's performance, and what else they would like to be able to do in these efforts.
- Talk with grantees about how they are using the results of their performance assessments.

Idea #2

Fund nonprofits' efforts to measure their performance.

Idea #3

Reflect on how well your performance data requirements for grantees align with the goals of your grants and the organisations you fund.

> **Idea #4**
>
> Help nonprofits share with other organisations what they have learned through their performance assessments—about what does and does not work. (Buteau et al. 2015: 19)

Of the four ideas set out above, perhaps number three offers government the most viable pivot for change? Indeed, good public governance demands that government entities reflect carefully on how well their performance data requirements for externalised service providers align with the goals of their service funding agreements and the organisations they fund.

According to Hedley et al. (2010: 1):

> [W]hen surveyed, donors consistently say that the two most important factors in trusting charities are how the money is spent and what it achieves …
>
> [T]he informed donor will become increasingly important to charities as they struggle to survive the coming storm of public spending cuts, and pressures on individual, foundation and corporate giving. Those charities that equip themselves now to communicate with these donors will be better prepared to compete in these difficult times. And while measuring outcomes and impact is rarely straightforward, we believe that charities can communicate their impact successfully by following a simple formula of five key questions:
>
> 1. What is the problem we are trying to address?
> 2. What do we do to address it?
> 3. What are we achieving?
> 4. How do we know what we are achieving?
> 5. What are we learning, and how can we improve?

These five questions set out an intellectual framework so obvious that it is difficult to understand why it is so seldom evidenced in practice. For outsourced services, the first question should be answered in the original tender document written by the public sector entity charged with the procurement task. The second should be answered in the responses to the tender (rather than being prescribed with no possibility of alteration from the outset). The final three should prompt organisations delivering services to articulate the outcomes they aim to achieve and formulate appropriate and comparable methodologies for measuring impact and strategies for documenting and sharing learnings. For that matter, systematically attending to each of the five questions could be transformative even for the dwindling share of mandated public services that continue to be delivered directly by government.

As a final note, as reasonable as the above schema appears on the surface, we also need to accept that there will be barriers: government entities will be loathe to relinquish control; systems for compliance will be subject to path-dependent resistance to change; and, in increasingly commercialised and competitive human service markets, service providers will be reluctant to share commercially sensitive information. This, alas, is the nature of the complex and often uncertain policy and organisational landscape in which we find ourselves. There is, however, some comfort to be found in the knowledge that reporting can increasingly contribute to social impact and that the tools exist to chart a mutually beneficial course forwards.

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