



New South Wales
T R E A S U R Y

FINANCIAL MANAGEMENT FRAMEWORK

WHAT YOU DO AND WHY AN AGENCY GUIDE TO DEFINING RESULTS AND SERVICES

Office of Financial Management

Policy & Guidelines Paper

PREFACE

All Budget Dependent and selected non Budget Dependent General Government agencies are required to prepare a Results and Services Plan (RSP). The requirements for preparing the RSP are outlined in the NSW Treasury Circular (NSWTC 06/22).

This NSW Treasury Policy and Guidelines paper *What You Do and Why - An Agency Guide to Defining Results and Services* provides General Government agencies with the foundational guidance needed to prepare their RSPs. The Guide outlines how agencies can use the results logic methodology as a tool to:

- explain their agency's business; and
- help integrate strategic, corporate and financial planning.

The Guide is part of a package of supporting material on RSPs that NSW Treasury has developed to assist agencies in meeting these requirements. It is an update of the previous edition, superseding TPP04--4.

For further information and specific assistance developing your RSP please contact your NSW Treasury analyst.

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INTRODUCTION

THE RESULTS AND SERVICES PLAN

NSW Treasury released *The Financial Management Framework for the General Government Sector* (TPP 00-4) in December 2000. The Framework consolidated previous financial management reforms and introduced new initiatives to improve value for money in government service delivery.

Most General Government agencies are now required to prepare a Results and Services Plan (RSP) as part of their budget submissions, as required by NSW Treasury Circular NSWTC 06/22. The RSP is a brief, high-level service delivery and funding plan that shows what an agency plans to achieve with its current resources.

Consistent with the Financial Management Framework, RSPs are designed to achieve:

- Better resource allocation by providing financial and non-financial information in a consistent format;
- Better resource management by agreement between treasury and the agency on their funding plan; and
- Improved reporting within government and to external parties by focusing agencies on managing for performance.

The RSP should be prepared using a ‘results planning’ approach called ‘**results logic**’. This approach aims to link what an agency does (services) to the impact that it has on society (results). Understanding this link is fundamental to effective service delivery and resource allocation.

This Guide explains the results logic approach and will help you to prepare your agency’s RSP.

THE RSP AND BETTER PLANNING

The RSP is a planning and budgeting tool used by Budget Committee and agencies. To ensure consistency across the General Government sector, the RSP must be submitted in the format advised by Treasury. Although the format is not expected to undergo major change from year to year, it is likely to be updated by Treasury on an annual basis to reflect the Government’s requirements. A good practice RSP should exhibit the following characteristics:

- Provides a simple, plain-English explanation of how an agency’s business works;
- Is based on a robust results logic which demonstrates how an agency’s services contribute to results;
- Shows a clear link between an agency’s results and Government priorities; and
- Is integrated with an agency’s Corporate Planning process.

INTRODUCING QUIT SMOKE NSW

QUIT SMOKE NSW is a fictional NSW General Government agency. This Guide will use QUIT SMOKE NSW as a simplified example to demonstrate how results logic can be developed and applied. When you are developing an RSP for your agency, the challenges you face will be more complex than those addressed in this Guide. We encourage you to liaise closely with your NSW Treasury contact officer.

QUIT SMOKE NSW has two service groups: Preventative Campaigns and Quit Smoking Support. Throughout this Guide, the activities and goals of QUIT SMOKE NSW will help you understand how results logic can be applied in your agency.

QUIT SMOKE NSW has prepared the following hierarchy of results (see Figure 1). It is based on their understanding of how Government can intervene to change behaviours, in this case smoking. QUIT SMOKE NSW's service delivery plan is based on this hierarchy of results and the methodology has also been applied in its corporate and strategic planning process.

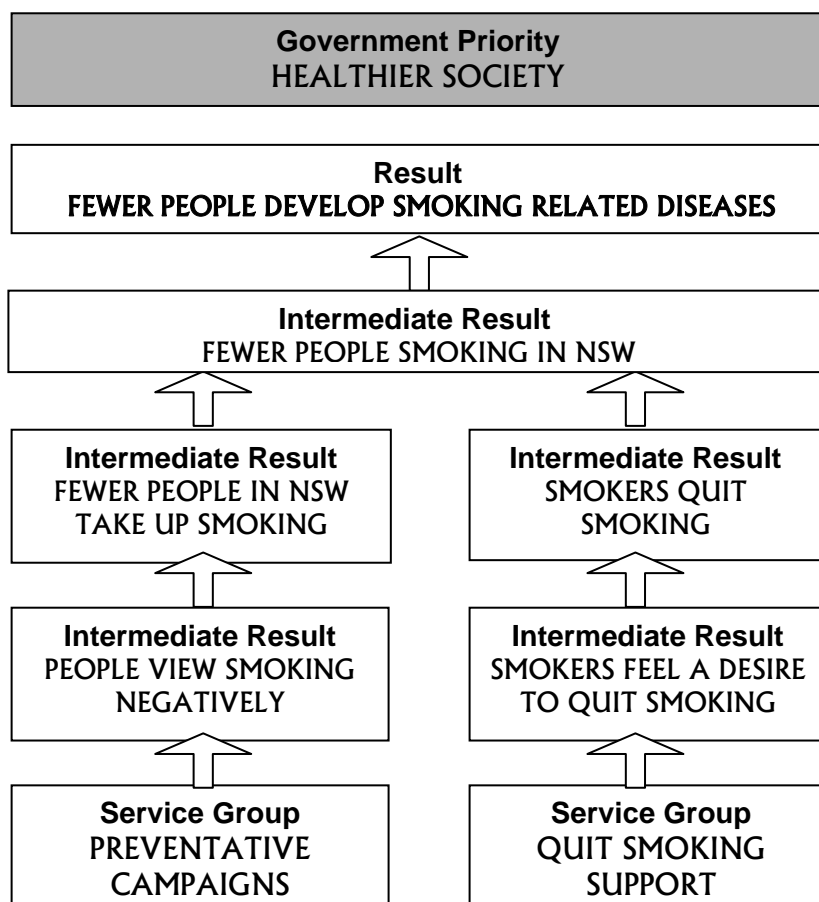


Figure 1: QUIT SMOKE NSW Results Logic

PART 1 DEVELOPING YOUR RESULTS LOGIC

STEP 1 - WHAT IS RESULTS LOGIC?

Understanding what your agency does and the results it is trying to achieve is fundamental to service delivery planning.

The RSP process enables you to tell a performance story about *why* and *how* your agency delivers its current range of services. The RSP document records this story.

The story is told using results logic. **Results logic** is your understanding of how the services your agency delivers contribute to results for the community.

The ‘logic’ describes the link between what your agency does (services) and the desirable impact that it will have on society (results), through a series of logical steps (intermediate results) (see Figure 2: ‘Results Logic’). The logic explains your assumptions about how your services work. Clear, robust results logic is the foundation of a high-quality RSP.

As you ‘step down’ through the hierarchy, your agency will have a greater level of influence over the results. This will be matched by a greater level of accountability.

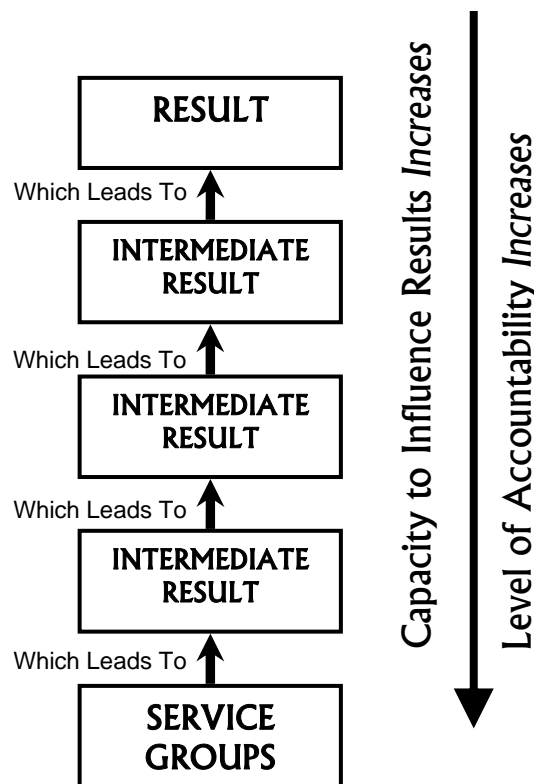


Figure 2: Results Logic

Step 1
Results Logic

Step 2
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Step 3
Services

Step 4
Intermediate Results

Step 5
Result Indicators

Step 6
Service Measures

Step 7
Risk & Risk Management

Steps 1 to 4 of this Guide will help you develop your results logic and create a hierarchy of results. These steps have been ordered to reflect the way most agencies apply results logic.

Steps 5 to 7 show how to use the results logic to identify performance information and risks. Note that Steps 5 and 6 distinguish between ‘Result Indicators’ and ‘Service Measures’. While most people refer only to performance indicators, the distinction is important for the purposes of accountability.

FREQUENTLY ASKED QUESTIONS

How can my agency use results logic?

Results logic requires your agency to have a good understanding of the services it provides, the Government’s objectives for your agency and the impact of your services on those objectives. Once the logic is properly developed, it provides a high-level context for understanding, measuring and managing services. It can be used to:

- Link planned results to individual services;
- Identify service measures and result indicators;
- Identify the key risks to achieving organisational goals;
- Identify areas for inter-agency collaboration; and
- Communicate performance and performance expectations to stakeholders.

Your agency has the largest control over service delivery and can measure this performance. Results are affected by many external factors and because of this your agency can only ‘indicate’ that it is having an impact.

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STEP 2 - RESULTS

WHAT ARE RESULTS?

Results are what your agency is ultimately trying to achieve for society. They describe the intended desirable impacts of your services on the community, the environment or the economy. Results must be consistent with current Government priorities.

Results:

- Are end-points to be aimed for, rather than individual activities or strategies; and
- Will be influenced by a broad range of factors, many of which are beyond the control of your individual agency.

HOW TO IDENTIFY RESULTS?

Ask the questions: **What are we trying to achieve?**
 **How do we want to affect the economy, environment or
 the community to benefit the people of NSW?**

Once you have identified your results, express each of them in a brief, high-level statement.

EXAMPLE

In the long-term, QUIT SMOKE NSW would like to see fewer people in the community afflicted by smoking related diseases. QUIT SMOKE NSW expresses this result in the following statement:

**FEWER PEOPLE DEVELOP SMOKING
RELATED DISEASES**

This result is consistent with the Government's priority for a healthier society and explains *why* QUIT SMOKE NSW is funded to deliver services. It is a long-term goal that QUIT SMOKE NSW can work towards, even though the result will be influenced by factors beyond its control.

By describing how its services contribute to results for the community, results logic helps to identify ways that QUIT SMOKE NSW can influence results. It also helps to identify opportunities for collaboration with other groups who can affect results.

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Some points to remember when describing your results.

A result is an *end-point expressed in plain-English*, and not an activity, action or process.

- Fewer people develop smoking related diseases.
- The incidence of smoking related disease is reduced by educating people about the dangers of smoking.

A result should be a high level impact that is appropriate to the broad social or economic issue being addressed by your agency. Avoid making results *too general*.

- Fewer people develop smoking related diseases.
- More people enjoy an improved quality of life.

A result should not be described narrowly or too precisely as the consequence of delivering particular services. (As Step 3 explains, this is the role of ‘intermediate results’). Avoid making results *too specific*.

- Fewer people develop smoking related diseases.
- Halve the number of cases of heart disease, lung cancer and emphysema through the delivery of targeted counselling services for smokers.

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FREQUENTLY ASKED QUESTIONS

How can my agency possibly be accountable for results?

It is usually difficult to establish a direct link between the services provided by your agency and the high level economic, social and environmental results that it hopes to influence. This is because there is a range of factors impacting on these high level results and the impacts may take a long time to take effect.

The results which are most important to society are unlikely to be wholly within the control of your agency. It may even be difficult to determine the extent to which results are influenced by your agency's services because of the difficulty of measuring and attributing changes in results.

A clear distinction needs to be made between managing for results and being directly accountable for results.

- **Managing for results:** Your agency should be able to demonstrate that the level and mix of services provided is contributing to its results in a cost effective way. This means your agency is delivering value for money services that meet community needs and maximise your impact on results within the available resources.
- **Accountability for results:** The results logic links results to services through a series of increasingly shorter-term, intermediate results. Therefore, as you move down through a results hierarchy, the capacity to influence results increases and this is matched by a greater level of accountability (see Figure 2). Any assessment of your agency's performance will need to recognise the extent to which your agency can influence each level of results.

A well constructed hierarchy of results which links results to services will help demonstrate how your mix of services is likely to contribute to results. The hierarchy will also help you develop results indicators for intermediate results that indicate progress towards longer-term goals.

Results Indicators are used to demonstrate that progress is being made. They are discussed in detail in Step 5.

Development of your RSP should also be integrated with your internal corporate planning processes.

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How do results relate to Corporate Goals?

Your agency's Corporate Plan has both an internal and external audience and will address some issues in more detail than the RSP. A 'good practice' RSP will be developed as part of an ongoing internal planning process.

Where your agency's Corporate Plan includes results for the community, these should be consistent with the RSP. Where the existing Corporate Plan does not include results for the community, you should use the RSP to inform future development of your Corporate Plan.

What about shared results?

Some high level results will require the combined effort of several agencies, and may be common across a number of agencies. In this case your agency might work with other agencies and consider a 'joint approach' to result definition and measurement.

For QUIT SMOKE NSW the following shared result is found at the top of its hierarchy of results:

**FEWER PEOPLE DEVELOP SMOKING RELATED
DISEASES**

Clearly this result is beyond the immediate control of QUIT SMOKE NSW. It will have some influence but will also need to work with other government agencies and non-government partners to affect the result in a meaningful way. Its partners¹ may include:

- the Australian Cancer Society;
- the NSW Department of Health; and
- the National Heart Foundation.

Clear results logic will help you to identify your partners and the role they can play in contributing to results for the community.

How many results should my agency have?

Your agency's specific results will depend on the scope of your agency. A result is the rationale for your agency's activities – a reason for government involvement. The more complex and diverse the objectives of your agency, the more results you are likely to have.

QUIT SMOKE NSW is a small agency with a very specific objective and so has only one high-level result at the top of its hierarchy. Many agencies can adequately define their role with 2 or 3 results.

¹ For an example of partner identification, see: <http://www.quitnow.info.au/linkgen.html>

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STEP 3 - SERVICES

WHAT ARE SERVICES?

Services are the ‘end products’ that your agency delivers to society. They should make a clear contribution toward your stated results.

Services are what your agency provides to an external party, (e.g. to clients or recipients, the broader community or another government agency.). The internal activities of your agency, while important, are not services for the purpose of an RSP.

WHAT ARE SERVICE GROUPS?

In order to keep information to manageable levels in the RSP, you need to group your agency’s services. Particular services may be grouped together based on:

- The results that they contribute to;
- The client group that they serve;
- Common cost drivers or other service measures; or
- Materiality of the expenditure.

In consultation with NSW Treasury each agency should determine the most appropriate way of grouping its services but must explain the basis for this decision in the RSP.

It is not necessary to list every service that your agency provides in the RSP document. There should, however, be a clear ‘line of sight’ between your service groups and the services and activities that are costed and managed as part of internal business planning.

For each service group, select a few key services that:

- represent the whole service group;
- constitute the bulk of the cost of delivering the service group; or
- reflect an agency’s statutory obligations.

Identifying and grouping services clarifies the relationships between the services you provide and the results that your agency is trying to influence. This process should lead to a consideration of whether your agency provides the right services or the right mix of services to influence its results.

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HOW DO WE IDENTIFY THEM?

Ask the question: **What services are we actually providing to achieve our results?**

In view of the vast array of goods and services delivered by government agencies, the term 'service' should not be narrowly defined.

In addition to the more familiar types of services, other services may include:

- Delivery of saleable products;
- Provision of policy advice or other advisory services;
- Programs to regulate or reduce negative behaviour;
- Case management; and
- capacity to respond to demand.

EXAMPLE

QUIT SMOKE NSW provides a range of services which it has assembled into two service groups.

**PREVENTATIVE
CAMPAIGNS**

**QUIT SMOKING
SUPPORT**

For the purposes of the RSP, QUIT SMOKE NSW identified the following key services in each group:

PUBLIC AWARENESS which includes activities such as

- Anti-smoking TV advertising campaign
- Anti-smoking print media campaign

YOUTH EDUCATION which includes activities such as

- Anti-smoking schools program, including school visiting programs and education kit to support the school curriculum.

COUNSELLING which includes activities such as

- Quit smoking support line
- Referral service, where 'quitters' are referred to health professionals

HEALTH PROFESSIONAL LIAISON & SUPPORT which includes activities such as

- Advocacy and support to doctors and other health professionals

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WHY ARE SERVICE GROUPS COSTED?

Information on the cost of services is essential for internal planning and control of agency performance. Cost information is also relevant for decision making external to the agency. For example, the Government will face choices about which services to fund consistent with current priorities, and/or make budget adjustments to take into account changing parameters or cost drivers.

Grouping services also allows your agency to aggregate the cost of its services. The costs of internal activities and other overhead costs must be fully allocated to one or more service groups in accordance with guidelines set out in the NSW Treasury Research & Policy Paper *Service Costing in General Government Sector Agencies*.

The combined cost of your agency's service groups MUST equal the total expenses for the whole agency.

FREQUENTLY ASKED QUESTIONS

What if my agency provides a 'capacity' to deliver services?

In some cases, your agency may provide a capacity to deliver services in response to an unpredictable level of demand. Emergency response services such as fire fighting services are examples of capacity services. The Rural Fire Service provides a capacity to respond to major bush fires when they occur.

Depending on the types of services provided, service capacity can be either estimated quantitatively (e.g. maximum capacity) or described qualitatively.

Should expense estimates be cash or accruals based?

All expense estimates should be accruals based.

Should Net Cost of Services (NCS) be used in the RSP?

No. When preparing your agency's RSP use **total accrual expense** figures to present the cost of services. Total accrual expense is more meaningful than NCS in the context of an RSP because it captures the total effort of your agency, and not just that funded from the Consolidated Revenue Fund. Accrual expense information is also easier to apportion across service groups.

Your agency should provide estimates of the *total expenses* associated with delivering each service group.

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STEP 4 – INTERMEDIATE RESULTS

WHAT ARE INTERMEDIATE RESULTS?

Intermediate results are what you will need to achieve in the shorter term in order to contribute to your high level results in the longer term.

Generally, intermediate results will be concrete objectives that your agency can aim towards in the short to medium term (e.g. the next 12 months to three years).

Your agency should have *more* influence over these intermediate results than the high level results that you are aiming for.

HOW DO WE IDENTIFY THEM?

Use results logic to identify intermediate results.

Intermediate results are the logical steps that link what your agency does (services) with the impact that it will have on society (results).

Intermediate results can be identified by looking at each service that you deliver and asking “Why do we deliver this service? What are we trying to achieve in the short to medium term?”

You could also begin to identify intermediate results by looking at your high-level result and asking “What needs to happen in the shorter term to achieve this result?”

EXAMPLE

QUIT SMOKE NSW provides a Public Awareness service to the community (see p.10). In the long-term, this should contribute to the high level result: *‘Fewer People Develop Smoking Related Diseases’*.

QUIT SMOKE NSW must now develop some intermediate results to demonstrate how its service will contribute to this result. This process is illustrated in Figure 3.

The first question for QUIT SMOKE NSW to ask is “why do we deliver our Preventative Campaign service?”

In the short term a preventative campaign should raise people’s awareness of the dangers of smoking and cause a change in people’s attitude toward smoking. The first intermediate result would be *‘People View Smoking Negatively’*.

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Based on its research QUIT SMOKE NSW believes changing people’s attitudes is likely to lead to a change in their behaviour. The second intermediate result is: *‘Fewer People in NSW Take Up Smoking’*.

In the long term widespread change in people’s behaviour should contribute to an observable change in behaviours at the community level. The final intermediate result is: *‘Fewer People Smoking in NSW’*

This final intermediate result is quite long-term and will depend on many factors beyond the control of QUIT SMOKE NSW. This results logic, however, demonstrates a clear, plausible link between the service that QUIT SMOKE NSW delivers and the desired long-term result.

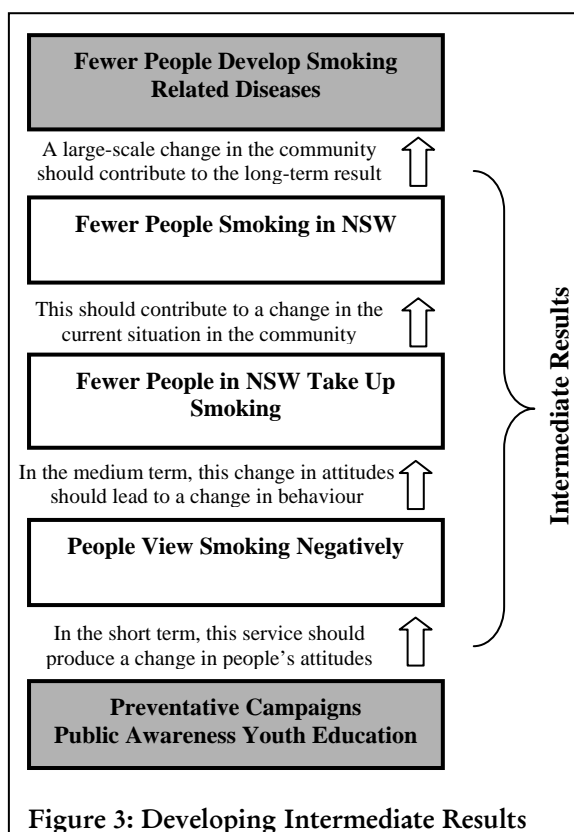


Figure 3: Developing Intermediate Results

- Step 1 Results Logic
- Step 2 Results
- Step 3 Services
- Step 4 Intermediate Results (shaded box)
- Step 5 Result Indicators
- Step 6 Service Measures
- Step 7 Risk & Risk Management

Similar to high level results, intermediate results are *end-points* to be achieved. While intermediate results will often reflect a planned improvement in performance, the *level* of improvement is best described as an indicator of performance (see Step 5).

INTERMEDIATE RESULTS AND STRATEGIES

When developing their Corporate Plans, agencies typically identify a series of strategies for delivering their services. These strategies will often vary from year-to-year in response to changing circumstances or community needs.

A results logic should set out what you do (services) and why you do it (results). In this context, a strategy would represent *how* you deliver your services to best achieve results.

One way to distinguish both results and intermediate results from strategies is to decide whether something is either an observation or an action.

Results and intermediate results are not things your agency can do – they are *changes* you expect to observe in the community, the environment or the economy. In contrast, strategies are the things you can do, or the *actions* you will take, to achieve these changes.

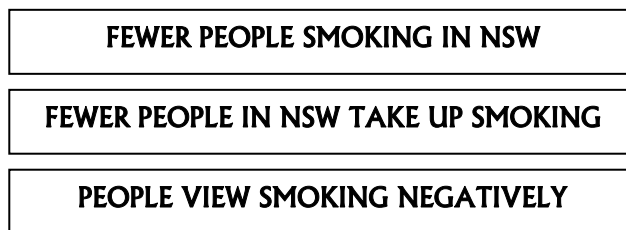
This means that the term ‘strategy’ should be understood in its broadest sense to refer to *the way services are being delivered to achieve impacts*.

A strategy can include formal initiatives announced by government to achieve specific policy outcomes (for example, the Families First strategy to coordinate family support services in the early years of a child’s life). A strategy can also include the way an agency approaches its service delivery (for example, using the same policy area, prevention strategies may represent better practice in delivering statutory child protection services).

In either case, a ‘strategy’ is based on assumptions about how services are expected to contribute to results (in the examples used, prevention and early intervention approaches in social services). As a consequence, when developing your results logic, some of the intermediate results you identify will correspond with the impacts you expect to achieve from your agency’s key strategies.

EXAMPLE

As we saw in Figure 3, QUIT SMOKE NSW has identified the following intermediate results for its services group ‘Preventative Campaigns’:



When developing strategies, QUIT SMOKE NSW asks the question “how can we best deliver our preventative campaigns to achieve these intermediate results?”.

From its research QUIT SMOKE NSW knows that preventative campaigns are most effective when they target high risk groups.

QUIT SMOKE NSW decides on the following series of strategies which describe how this service should be delivered:

- Identify and target groups that are at high risk of taking up smoking, e.g. young women and high school students; and
- Develop a preventative campaign that appeals to these target groups and presents smoking as a high risk, damaging behaviour.

This strategy may be a new way of delivering these services; alternatively, it may reflect an ongoing initiative that is currently reflected in the Corporate Plan of QUIT SMOKE NSW.

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FREQUENTLY ASKED QUESTIONS

Do we use intermediate results or strategies in the RSP?

Once you have developed robust results logic, it should remain relatively stable from year to year. This is because the fundamental role and objectives of your agency are likely to remain the same unless there are major changes in Government policies or priorities.

On the other hand, strategies for delivering your services may vary frequently in response to new circumstances, new information or changing community needs.

Your agency, therefore, should prepare results logic using intermediate results and include more detailed information on strategies in your Corporate Plan. Some agencies find it helpful to capture information on some of their major strategies in their results logic, as a high-level means of explaining how they will achieve their intermediate results.

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PART 2 EVALUATING YOUR PERFORMANCE

STEP 5 – RESULT INDICATORS

WHAT ARE RESULT INDICATORS?

Result indicators will help you gauge if your services are making a positive impact on society. They may not be exact measures of *your agency's* performance but will provide some evidence as to whether a situation is changing or improving.

Result Indicators:

- *Indicate a change* in the community, environment or economy;
- *Reflect* the effectiveness of your agency's services in contributing to results;
- Help to determine whether anyone is 'better off' as a result of the services being delivered; and
- Will probably be influenced by more than just your agency.

High level result indicators are focused on long term changes which may be influenced by many factors beyond the immediate control of your agency. Intermediate result indicators (associated with intermediate results) will reveal changes occurring in the short to medium term over which your agency will have a greater influence. The aim is to gauge effectiveness, not enforce accountability. Do not let a lack of immediate 'control' over a result indicator deter you from selecting an indicator which is meaningful.

HOW DO WE DERIVE THEM?

In your results logic you will have identified the results that you want to achieve for the community, environment or economy and the actions which you think will effect change.

Your results logic can now be used to develop result indicators which tell you whether your actions are having the intended effect.

Look at each result and intermediate result in the hierarchy and consider what type of data would indicate that a change is occurring. Select indicators for a range of intermediate results and results to present a balanced picture of any changes occurring.

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Example

Following the results logic process in Steps 1 to 4, QUIT SMOKE NSW has constructed a clear hierarchy of results. It must now develop result indicators which reflect the desired changes and show progress towards results.

Result indicators are designed to indicate if a change is occurring to make anyone ‘better off’. They should show whether the skills, attitude, behaviour or circumstances of the target group or community in general have changed in some way.

For each result in its hierarchy, QUIT SMOKE NSW asks the question ‘*How will we know whether anyone in the community is better off?*’

QUIT SMOKE NSW’s set of result indicators are shown in Figure 4.

RESULTS	RESULT INDICATORS	CHANGE INDICATED
FEWER PEOPLE DEVELOP SMOKING RELATED DISEASES	Smoking-related diseases per 100,000 people	<i>Indicates a change in Circumstances</i>
FEWER PEOPLE SMOKING IN NSW	% of smokers in the community	<i>Indicates a change in Behaviour</i>
SMOKERS QUIT SMOKING	% of smokers actually quitting % of smokers getting help to quit	<i>Indicates a change in Behaviour & Attitude</i>
SMOKERS FEEL A DESIRE TO QUIT SMOKING	% of smokers expressing a desire to stop smoking	<i>Indicates a change in Attitude</i>

Figure 4: QUIT SMOKE NSW Result Indicators²

QUIT SMOKE NSW will not be held wholly accountable for the high-level result indicators but it will be accountable for *managing for* its results and for demonstrating that it is making a valuable contribution to the community. It needs to deliver a mix of services which are *reasonably likely* to have a positive impact on results, other things being unchanged.

By tracking indicators over time and frequently evaluating your assumptions, your agency will be able to monitor its impact and make service delivery changes where appropriate.

² Several of these indicators have been adapted from the National Tobacco Campaign Evaluation Report. The evaluation used extensive benchmark and follow-up surveys to obtain figures for these indicators.

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PURPOSE

How effective are we?

Result indicators can be used to tell your stakeholders a story about the *effectiveness* of your services in contributing to results, ie. Is anyone better off?

In the case of QUIT SMOKE NSW, external stakeholders are unlikely to be interested in the number of quit smoking brochures produced or the number of telephone calls its *QuitLine* takes (although this may be important for QUIT SMOKE NSW's internal management). Stakeholders really want to know about the long-term impacts of these services, that is, are fewer people likely to develop (and die from) smoking-related diseases? ³

A similar argument can be made for internal management. While it may be important for internal purposes to measure the quantity of services delivered, the staff at QUIT SMOKE NSW do not really want to go home saying that they answered 400 calls. Employees want to see how the work they do every day is contributing to something significant.

This process of developing results logic will help you to make this connection - to link your agency's day-to-day services to long term results and develop result indicators to demonstrate the effectiveness of those services.

FREQUENTLY ASKED QUESTIONS

There are several key challenges when it comes to devising result indicators.

How can my agency possibly be accountable for that? (Attribution)

It is not reasonable to evaluate your agency's performance on the basis of high level result indicators which it can only partially influence. Indicators relating to some intermediate results may provide a better indication of the effectiveness of your agency's services.

In order to draw this 'line of accountability' your agency must be able to tell stakeholders a believable performance story. It should be able to:

- demonstrate that its services are *reasonably likely* to contribute to the stated results i.e. have a clear results logic;
- make a case that its services are being *managed for results*; and
- use intermediate results and indicators to demonstrate that services are achieving results at some meaningful level.

³ See 'Frequently Asked Questions' for a discussion of the accountability issues raised by this high level result.

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That might not happen for ages! (Time Lags)

Results at the top of the results hierarchy will tend to reflect major societal changes that may take a long-time to materialise. For example, achieving a reduction in cancer rates resulting from fewer people smoking may take ten to twenty years or more.

There is a tension between reporting a result indicator that tells if results are being achieved for society and the often more pressing issue of reporting short term performance to stakeholders. This is where intermediate results indicators should be used.

Intermediate result indicators will show patterns of change well before high level result indicators. They are more useful for demonstrating the effectiveness of your agency's services, especially in the short to medium term. When accompanied by clear results logic, trends in intermediate result indicators will help to show that your agency's services are contributing toward long term change.

Collecting that data will be too costly! (Data Collection Costs)

Performance measurement does not always require complex and expensive information systems. Many suitable high-level result indicators are available through existing resources such as the Australian Bureau of Statistics (ABS) (e.g. incidence of smoking-related diseases) or as a by-product of existing administrative systems (eg. socio-economic data on clients).

Minimise data collection costs by using the results logic to identify suitable result indicators for your agency which are serviced by existing data collections. Your agency can rationalise or re-target existing data collections to focus on the key result indicators.

If additional data collections are required, the costs involved must be balanced against the benefits of using the data collected.

The Fiscal Policy Institute⁴ has also outlined the following process for selecting key indicators and measures:

- Identify the measures for which you currently have data available either in existing internal systems or from external sources.
- From this data, select the most important measures by asking: 'If (we) had to talk about (our) program with just one of these measures, which one would it be?'
- Build a data development agenda by asking: 'If (we) could buy one of the measures for which (we) don't have data, which one would it be?'

The data development agenda can be used to improve your agency's performance information systems.

⁴ Fiscal Policy Institute, *The Results and Performance Accountability Implementation Guide*, 2001, at <http://www.raguide.org/3%5F12.htm>

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STEP 6 – SERVICE MEASURES

WHAT ARE SERVICE MEASURES?

Service measures look at how efficiently your agency delivers its services, as well as the quality, access and timeliness of the service delivery.

Unlike result indicators, your agency will have *direct control* over service measures. They are measures of exactly what your agency has accomplished in terms of service delivery. Service measures do not tell you directly whether your services have made a difference to society. An improvement in a service measure may also result in an improvement in a corresponding result indicator *if your results logic is robust*.

HOW DO WE DERIVE THEM?

Service measures should reflect the key measures used by your agency management to assess agency performance. Select the measures you report in the RSP to demonstrate the relationship between the service group and associated result.

For each service group, select a balanced range of measures that reflect **efficiency** i.e. ‘how well were resources used?’ The key aspects of efficiency include:

- **Quantity - What did we do?**
‘What did we do’ (or ‘busy-ness’) measures are the simplest quantity measures. They tell you *how many* things were done or what volume of service was delivered. In some situations this may be the only appropriate way to measure your services e.g. percentage of the State to be mapped for natural vegetation coverage. Quantity measures can also include key cost drivers for the agency.
- **Quality - How well did we do it?**
These are measures that tell you how well your services are delivered and how they are perceived by clients or other stakeholders. Common quality measures include accuracy or completeness, safety and client satisfaction.
- **Access and Timeliness**
These measures are concerned with issues of availability of services and timeliness of service delivery. These may include measures such as turnaround time, average waiting time, distance/time travelled by clients to receive a service.
- **Cost**
Cost measures relate to the cost of a service or the amount of input used to produce a service, e.g. the average cost per patient to provide an immunisation service.

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Example

One of QUIT SMOKE NSW's service groups is:

PREVENTATIVE CAMPAIGNS

As we saw in Step 2, one of the key services in this service group is:

Public Awareness

When selecting service measures, QUIT SMOKE NSW needs to choose measures that are meaningful in terms of the planned results of the campaign. That is, the campaign aims to change behaviour and it is therefore important to measure the *quality* of the campaign. Using its existing data set, QUIT SMOKE NSW selected the following measures (Figure 5).

SERVICE DELIVERED	SERVICE MEASURES	TYPE OF MEASURE
PUBLIC AWARENESS	recognition of the campaign in the target group (% of people that recall having seen an advertisement)	<i>Measures Quality</i>
	production cost per screening of a TV advertisement	<i>Measures Cost</i>
	% of viewers who consider the campaign 'relevant' or 'believable'	<i>Measures Quality</i>

Figure 5: QUIT SMOKE NSW Service Measures for the TV Advertising Campaign

QUIT SMOKE NSW collects many more measures relating to the advertising campaign, but decided that these are the most important measures to report in the RSP.

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FREQUENTLY ASKED QUESTIONS

What are the characteristics of good service measures and result indicators?

Overall, good service measures and result indicators should be:

- **Appropriate** – useful to stakeholders who are likely to use them.
- **Balanced & Complete** – cover all significant aspects of performance.
- **Manageable** – able to be measured and reported within an agreed timeframe.
- **Robust** – able to withstand organisational change.
- **Comparable** – with information provided by other providers of similar services.
- **Integrated into the Organisation** – part of the ongoing business planning and management processes.
- **Cost Effective** – balance the benefits and costs of providing the information.

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PART 3: MANAGING YOUR RISK

STEP 7 RISK AND RISK MANAGEMENT

WHAT IS RISK AND RISK MANAGEMENT?

Risk is the chance of something happening that will have an impact upon results.

It is the exposure to the possibility of such things as economic or financial loss or gain, physical damage, injury or delay, as a consequence of pursuing or not pursuing a particular course of action.

The level of risk is a combination of the:

- Likelihood of a risk occurring; and
- Consequences if it does occur.

Risk Management is the culture, processes and structures that are directed towards effective management of potential opportunities and adverse effects. Risk management is both a:

- Defensive strategy; and
- Mechanism for systematically identifying and taking advantage of opportunities to improve service delivery.

WHAT SHOULD BE INCLUDED IN THE RSP?

The RSP sets out the services an agency will deliver and the results they expect to achieve, within their budget allocation.

The RSP should reflect your current risk management planning by setting out the:

- Risks that the planned performance levels will not be achieved;
- Strategies for managing those risks; and
- Risk indicators used to signal whether a risk occurs.

The RSP is a high level plan and should only include the most significant risks that an agency faces, i.e. those that may have a significant impact on expected results. These significant risks may include:

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- **Risks that the services provided by an agency, though delivered as planned, will not achieve the expected results. (ie. the cause and effect relationships assumed in the results logic are not as expected).**

For example, QUIT SMOKE NSW assumes that people viewing smoking negatively will lead to fewer people taking up smoking. This is based on an assumption that a change in attitude will lead to a change in behaviour. This assumption, however, may prove incorrect if teenagers take up smoking as an act of rebellion because the community views smoking negatively.

- **Risks that services will not be delivered as planned.** For example, the agency is less efficient than planned and cannot operate within Budget.
- **Risks relating to organisational capability.** For example, there may be a risk that the agency is unable to attract and retain suitably qualified staff, which in turn jeopardises its capacity to deliver its planned services.

All agencies should have in place a systematic, agency-wide approach for dealing with risks. The following section provides a brief introduction to the risk management process. We recommend that you refer to the following documents for more detail on best practice risk management procedures.

- *Risk Management – AS/NZS 4360:2004* (Standards Australia).
- *Risk Management Guidelines Companion to AS/NZS 4360:2004 – HB 436:2004* (Standards Australia).
- *Enterprise-Wide Risk Management*, CPA Australia’s Public Sector Centre of Excellence (CPA Australia).
- *Enterprise Risk Management – Integrated Framework* (COSO: Committee of Sponsoring Organizations of the Treadway Commission), September 2004.
- *Risk Management and Internal Control Toolkit*, NSW Treasury, TPP97-3.
- *TMF Guide to Risk Management: The RCCC Approach (Risk, Culture Control , Capability)*, Treasury Managed Fund.

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WHAT IS THE RISK MANAGEMENT PROCESS?

Figure 6 describes the key steps in the Risk Management process.

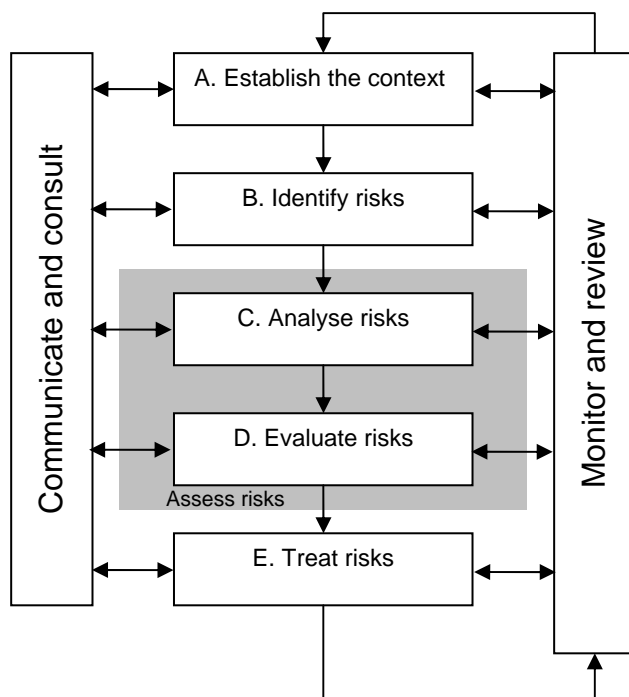


Figure 6: Adapted from *Risk Management Overview (AS/NZS 4360:2004)*

A. Establish the Context

Understand the legal, political, social and economic environment that your agency operates in, as well as its strategic goals and objectives. Identify your agency's key stakeholders and their needs.

The Results Logic diagram in your agency's RSP and other corporate documentation will help you establish the context for understanding risk in your organisation.

B. Identify Risks

A risk is any event or situation that would negatively affect your agency's ability to deliver services or contribute to results. Risks will be influenced by a range of factors both internal and external to your agency. As a guide, Figure 7 shows some of the most common sources of risk to consider.

Some risks are more likely to occur than others and some risks will have more serious consequences. At this stage it is important to identify possible risks apart from their likelihood or consequences (within reason) to ensure that no serious risks are accidentally overlooked.

It is also important to understand the interrelationships between risks and how a single occurrence could trigger a number of risks. Risks that seem acceptable or even inconsequential in isolation may become unacceptable when combined with the range of other risks which are likely to be triggered by the same event.

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INTERNAL FACTORS	EXTERNAL FACTORS
Infrastructure <ul style="list-style-type: none"> • Availability of Assets • Capability of Assets • Condition of Assets 	Economic and Business <ul style="list-style-type: none"> • Financial & Market Activities • Liquidity
Personnel <ul style="list-style-type: none"> • Employee Capability • Fraud • Health and Safety • Security 	Technological <ul style="list-style-type: none"> • Electronic Commerce • External Data • Emerging Technology
Process <ul style="list-style-type: none"> • Operational Issues • Service Quality • Unexpected Delays • Management Activities • Internal Control 	Natural Environment <ul style="list-style-type: none"> • Natural Disasters • Energy / Water • Sustainable Development • Transport • Emissions
Technology <ul style="list-style-type: none"> • Data • System Availability • Capacity • Reliability 	Political <ul style="list-style-type: none"> • Government Changes • Legislation • Public Policy • Regulation
	Social <ul style="list-style-type: none"> • Socio-economic factors • Demographics • Privacy • Changing Community Needs

Figure 7: Common Sources of Risk ⁵

C. Analyse Risks

The level of risk is a combination of the:

- *Likelihood* of a risk occurring; and
- *Consequences* if the risk does occur.

The risk should be evaluated in relation to any existing controls that your organisation has.

Figure 8 outlines some common standards for assessing the likelihood and consequences of risks.

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⁵ Adapted from the *Enterprise Risk Management – Integrated Framework* (COSO) and *HBS 436:2004*.

Impact / Consequences		Likelihood	
Very High	Most objectives may not be achieved	Highly Likely	Expected to occur; almost certain to occur
High	Most objectives threatened or several may not be achieved	Probable	Likely to occur
Moderate	Some objectives affected	Possible	May occur; even chance
Low	Minor – remedied with some adjustment to resources	Improbable	Unlikely to occur; probably will not occur
Very Low	Negligible – handled within existing resources	Most Unlikely	Rare – very unlikely to occur

Figure 8: Assessing the Impact and Likelihood of Risks⁶

When assessing the level of each risk, it is important to consider the impact and likelihood together. For example, a risk which would have a *very high* impact but is *most unlikely* to occur should still be assessed as a *significant* risk to your agency.

As a guide, the following responses may be appropriate for each level of risk:

- **High Risk** – prepare a detailed action plan and take immediate action.
- **Significant Risk** – involve senior management in addressing the risk.
- **Medium Risk** – assign responsibility for addressing the risk to a specific manager.
- **Low Risk** – manage using routine procedures.

D. Evaluate Risks

Once the level of each risk has been assessed, evaluate whether risks are acceptable or unacceptable for your agency. When evaluating risks, you should consider the:

- level of risk;
- degree of control you have over the risk;
- potential impact in terms of costs, benefits and opportunities; and
- importance of the service, result or activity affected by the risk.

Risks may be deemed ‘acceptable’ for a variety of reasons that are unrelated to the level of risk. Some examples include:

- there is no realistic way to deal with (treat) the risk;
- the cost of treating the risk is excessive or provides limited benefits; or
- the risk is justified because it provides good opportunities.

⁶ Adapted from *Risk Management for Finance Professionals in the Public Sector*, CPA Australia, 2001.

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E. Treat Risks

An ‘unacceptable’ risk must be treated with an appropriate response. The best treatment for a “risk” will depend on the circumstances in each case, but the approaches to treating risk will generally fall into one of the following categories:

- **Accept the Risk** – no action is taken to alter the likelihood or impact/consequences of the risk.
- **Avoid the Risk** – choose an alternative, less risky course of action or avoid the activity that creates the unacceptable level of risk.
- **Reduce the Risk** – take action to reduce either the likelihood of the risk occurring or the consequences if the risk does occur, or both.
- **Transfer the Risk** – give responsibility for all or part of the risk to another party. The most common example of this strategy is a contract of insurance.

FREQUENTLY ASKED QUESTIONS

Why is ‘insufficient funding’ not a risk?

The RSP sets out what an agency is able to deliver with the funding approved by the Budget Committee of Cabinet. As funding levels vary, an agency should be able to show how service delivery – and expected results – will vary accordingly. The RSP clarifies performance expectations and how the agency proposes to manage its resources to meet them.

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GLOSSARY OF TERMS

Activity	An activity is part of the process of producing a good or service.
Cost Driver	A factor that causes a cost to be incurred. A change in the cost driver causes the total cost of the cost object to change.
Effectiveness	The relationship between the services that your agency provides and their impact on results.
Efficiency	The relationship between the services that your agency provides and the inputs used to provide them.
Input	Resources (labour, material, facilities) that your agency uses to deliver services.
Intermediate Results	Concrete objectives that your agency can contribute towards in the short to medium term.
Net Cost of Services	The net cost to the Government of providing Government services. It equals Operating Expenses less Operating Revenue. The Net Cost of Services is the budget control applied to all general government agencies. Refer to NSW Treasury Circular (NSWTC 06-19), <i>Budget Controls – Net Cost of Services</i> .
Results	What your agency is ultimately trying to achieve for society. They are the intended impacts of your services on the community, the environment or the economy.
Result Indicator	A value or characteristic used to gauge progress towards achieving results.
Results Logic	A methodology that maps the linkages between services and results.
Risk	The chance of something happening that will have an impact upon results
Risk Management	The culture, processes and structures that are directed towards effective management of potential opportunities and adverse effects.
Services	The end-products that your agency delivers for external consumption.

GLOSSARY OF TERMS

Service Group	A meaningful grouping of services aggregated to keep information in the RSP at manageable levels.
Service Measures	A value or characteristic, such as quantity, efficiency, quality, access and timeliness, used to measure services.
Strategy	A planned series of actions required to achieve results and deliver services. A strategy can include <i>formal initiatives</i> announced by the Government to achieve specific policy outcomes, as well as the way an agency approaches its service delivery.
Results and Services Plan (RSP)	A high level service delivery and funding plan prepared by an agency to support decision making by the Budget Committee of Cabinet. The RSP uses results logic to explain the links between an agency's planned results, services, service costs, result indicators and service measures. <i>Refer to NSW Treasury Circular NSWTC 06/22 – Results and Services Plans.</i>

GLOSSARY OF TERMS

ACKNOWLEDGEMENTS

The following publications have been used in the preparation of this Guide and may be useful as additional reference material.

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