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INTRODUCTION

Grant Thornton Australia and the Curtin University Not-for-profit Initiative are jointly investing in a three year research program designed to build the capacity of Not-for-profits in the area of outcomes specification, measurement and reporting, and to provide practical and effective tools to assist them respond to increasing demand for outcome based practices.

This is an ambitious objective but an extremely important one. The move toward outcomes development, management and reporting is complex but critical to the future of human services delivery in Australia.

We hope that Australia’s Not-for-profits, charities and other stakeholders contribute to this research as well as utilise its results.
OUTCOMES MEASUREMENT IN AUSTRALIA

The efficient and effective provision of human services remains a critical endeavour in Australia as it does worldwide. The demand for, and complexity of, supports and services provided to the most vulnerable people in our communities are increasing, as are the resources requirements needed to meet that challenge.

For a number of years the funded Not-for-profit sector has focused on the identification of outcomes and the establishment of the systems necessary to measure the extent to which they have been achieved. This focus has been reinforced by a drive by most Australian governments toward outcomes measurement in preference to more traditional forms of funding acquittal.\(^1\) Outcomes development, measurement, reporting and assurance are widely discussed at industry conferences, in industry journals and by the broader commentariat and is now almost universally accepted as the most appropriate way forward for ensuring services obtain the best possible results in the interests of service users and for ensuring resources are allocated where they can have best effect.

Indeed, much has been written about outcomes: what they are, how to construct them and how to measure them.\(^2\) This important work has been accompanied by training and development aimed at increasing the capacity of the sector in relation to all aspects of outcomes identification, construction, measurement and reporting.

However, many Not-for-profits and governments continue to struggle with the challenge of applying the theory of outcomes specification and measurement and there is still considerable work to be done. That is why Grant Thornton Australia and the Curtin University Not-for-profit Initiative have come together to execute a three year research program designed to build the capacity of Not-for-profits in the area of outcomes specification, measurement and reporting, and to provide practical and effective tools to assist them respond to increasing demand for outcome based practices.

Many Not-for-profits and governments continue to struggle with the challenge of applying the theory of outcomes specification and measurement.

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\(^1\) For instance, see “delivering Community Services in Partnership Policy, (2011), Government of Western Australia.

The primary focus of the National Outcomes Measurement Research Agenda is to build on previous work in this area by:

a. identifying key issues related to the successful implementation of outcomes reporting frameworks in Not-for-profit and charitable organisations providing human services

b. developing and implementing a research and practice program of high integrity and quality

c. combining the strengths and experience of the research partners to ensure that their understanding and capacity is fully brought to bear on this program

d. engaging with the Not-for-profit and Charitable Human Services Sector in order to ensure research outputs are reflective of the real situation being faced within the sector, that outputs are industry-ready and that they support industry requirements

e. creating tools and resources in support of the above, and disseminating those as widely as possible

These broad aims are ambitious, however, they need to be. The challenge for all involved in the provision of human services in Australia today—providers, peak bodies, ancillary service providers, governments—is to both identify methods of demonstrating the outcomes achieved and to use these methods to support their need for resources.

The modern Not-for-profit and Charitable Sector is incredibly diverse, economically significant and very complex. It interacts with government, the For-profit sector and clients in meeting its mission focus, and it utilises significant resources in its service delivery. The increasing quantum of demand, its increasing complexity and its resource needs, combined with the changing expectations of many service users and the national conversation surrounding the sector, are challenging it to be more innovative, focused, responsive and demonstrative of its successes and capacity. These realities combine to place outcomes identification, management, reporting and assurance at the very centre of the strategic thinking of most in the sector.

This paper, the first in a series intended to communicate resource outcomes over the course of this three year project, serves to locate the research program in the current national discussion pertaining to the sector, and to identify the chief questions and problems associated with outcomes design, measurement, reporting and assurance. It also aims to clearly articulate the real challenges faced in delivering for outcomes and to initiate a deeper, practice based and more constructive conversation among stakeholders.
In purely economic terms, the establishment, measurement and reporting of outcomes is important in ensuring value for money and the most effective deployment of resources. However, considering just the available statistics relating to the charitable sector emphasises the broader social impact the sector has had and continues to have. Positive externalities manifest when the sector’s 1.8 million volunteers are able to contribute and the users of services—including in relation to health, housing, social services and education—also enjoy greater independence, increased life expectancy and better economic outcomes than they might otherwise have access to.

Historically, we have had very little data relating to finances, employment, services or other activities for the Not-for-profit and Charitable sector as this was seen as a lower priority as opposed to the collection of data relating to the For-profit and government sectors. However, with the establishment of the Australian Charities and Not-for-Profits Commission (ACNC) data has been collected via the lodgement of Annual Information Statements by registered charities—a subset of the Not-for-profit sector.

Although not yet complete, the reports created from this data do give us the best picture we have to date of the size, complexity and activities of at least the charitable organisations operating in Australia. The primary report created by the Centre for Social Impact and the Social Policy Research Centre is called “Australian Charities 2014”. This is the second report in a series which commenced in 2014 with the “Australian Charities 2013” report created by the Curtin Not-for-profit Initiative.

This data shows that, by 2014, the charitable sector alone turned over $103 billion and employed over 1 million people (up from 919,000 in 2013)—or around 8% of Australia’s workforce. While it is often considered that the sector is predominantly funded by government sources, in fact, in 2014 59% of the charitable sector’s income was sourced from other than government coffers. Additionally, the charitable sector lays claim to $168 billion in assets—an asset base that is deployed purely in the interests of serving the Australian community and one that is not easily replaced.

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Clearly, there is an opportunity in increasing the resources available to the sector via donations and bequests which were reported to make up only around 6% of the sector’s income in 2014. Outcomes development, measurement and reporting will go some way to increasing confidence and legitimacy that should result in increased resources from sources other than government and increased support across the community (in both political and resourcing terms). It should also build policy influence resulting from a growing awareness that the sector knows what it is doing and is achieving results for its service users.

As such, we consider that the outputs arising from this work will inform and support government funding and procurement, philanthropic funding, the strategic development of service delivery, improved user confidence and satisfaction as well as the development of service and funding innovations including in support of such financing arrangements as Social Investment Bonds.
Historically, acquittal processes required by government funders typically required a statement of expenditure accompanied by an auditor’s declaration informing government that the funds were spent how they were required to be under the funding contract, and a statement indicating that the required number of outputs were delivered.

This system has some merits in that it is relatively inexpensively operated, everyone knows what is expected, and the measurement of outputs and expenditure is relatively simple, particularly when compared to measuring outcomes. However, the key question increasingly asked is: what impact or effect does this activity and expenditure have on service recipients? This question is increasingly being asked by governments, philanthropists and users in the context of service and funding innovations.

The result has been a significant shift towards seeking to define and measure outcomes. There are many definitions of outcome, however, for our purposes, an outcome, in the context of human services has the following attributes:

- it should be clearly specified in terms of target population and intended result
- it occurs because there is a link between an action or intervention and the result or impact
- therefore, it is the consequence of the process
- it can be used to inform future process design

Therefore, an outcome may be described in terms of what is achieved as a result of doing something. Questions that outcomes measurement may help to answer include:

- what difference have we made to a client’s life?
- is the client better off having received support/services from us? If so, by how much?
- if we had not provided service, would the client be worse off?
- what can we do differently to change/increase that impact?
- how do we know we are fulfilling our mission? How do we demonstrate our effectiveness?
- how can we differentiate ourselves from other organisations, (Not-for-profits, for-profits and public sector agencies) that may be pursuing the same resources that we are?
- what do we do well and what might we be better off not doing?
- how do we ensure we have an holistic approach to our clients’ needs?

Therefore, the idea of reporting on outcomes is very attractive as it either demonstrates that the work being done is achieving the desired results or it highlights a need to change processes to achieve greater impact.

The identification, measurement and reporting of outcomes encourages organisations to focus resources on the activities that make a real difference.
There are additional benefits arising from the identification, measurement and reporting of outcomes including:

- It encourages organisations to focus resources on the activities that make a real difference.
- It encourages organisations to clearly identify the costs attributable to delivery of units of outcome. For example dollars per person abstaining from use of illicit drugs for longer than 12 months.
- Funders, donors and investors, especially government agencies, can focus their governance arrangements around the achievement of results rather than on the traditional and simplistic inputs/outputs methodology.
- Other policy drivers—such as Person Centred Care and Individualised Funding—can also be met as a result of outcomes measurement as a key driver for the achievement of outcomes is that the element measured is germane to the individual receiving the service.
- Meaningful feasibility studies and strategic decision-making can be undertaken.

The use of outcomes measures has also given rise to the development of outcomes assurance services (that is, the audit of outcomes and their achievements). Increasing focus on outcomes reporting by agencies such as the Australian Accounting Standards Board combined with the individual service providers’ need to demonstrate their impact, will increase focus on non-financial information reported in annual reports. Confirming and enhancing the legitimacy of this information, via independent assurance, is critical.

Overall, the identification, measurement and reporting of outcomes presents a real and substantial opportunity for organisations to focus on the things they do that make a difference, to include input from clients to ensure ownership and commitment from the service user’s perspective, and to allow organisations to acquit meaningful information to stakeholders demonstrating impact and effectiveness.

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WHAT ARE THE CHALLENGES THAT MAKE THIS RESEARCH RELEVANT AND TIMELY?

The value inherent in identifying, measuring and reporting outcomes is almost universally supported in Australia today. However, there are challenges associated with each of these ideas – as there are also challenges associated with assurance of outcomes reporting – which serve to create difficulty for service providers, funders and service users.

However, a key challenge is balancing the cost of outcomes development, measurement and reporting (which can be substantial) with the benefits expected from the process. Indeed, a cost/benefit analysis is critical in ensuring an organisation is deploying its scarce resources to best effect. Additional fundamental challenges include the following.
BUILDING OUTCOMES IDENTIFICATION INTO SERVICE DESIGN

1. **Identifying service users and the goals they and other stakeholders want to achieve:** prior to identifying an outcome, it is necessary to identify the target market or population the organisation aims to serve and the specific changes to be achieved or services to be offered. That is, who are we serving, what do they want, what can we do that will make a difference and by when? Identification of the target population can require some difficult trade-offs but focusing sufficient resources on a sub-set of the population in order to achieve change is better than distributing resources so broadly that there is no impact.

2. **Identifying and prioritising the essential outcome(s) to be measured:** the identification of outcomes is not necessarily a difficult task. There are likely to be many core and peripheral outcomes associated with a service being delivered. However, the costs of attempting to measure multiple outcomes must be offset by benefits to governance, planning, control and service delivery improvement otherwise it should not be undertaken. Given these costs, it is likely that providers will need to focus on the core outcome(s). Identifying the outcome(s) that are central to explaining the extent to which a service provider has been successful or otherwise in service provision can be very difficult.

3. **Ensuring there is a causal link to outcomes being measured:** identifying and measuring outcomes can be very difficult because it is necessary to ensure that a causal link exists between the attributes of the service being provided and the outcome achieved. The accidental achievement of an outcome may lead service providers to infer positive attributes to its operations notwithstanding they, in fact, do not impact the outcomes being achieved. Similarly, it is possible that the service provider did everything right, but that other factors played an as strong or even stronger role in the outcome. For example, services to reduce homelessness may be well designed and delivered, but other factors such as a big increase in unemployment may offset gains made.

DESIGNING RELIABLE MEASURES AND SYSTEMS

4. **Measuring the identified outcomes can be challenging:** outcomes do not necessarily lend themselves to quantification. For instance, achieving a certain outcome may result in a qualitative change in the life of an individual that is not necessarily standardised or measurable with comparative accuracy. Further, one person’s experientially-based outcome may be different to another’s, notwithstanding a service identical in all respects was provided to both service users. The aim is to design measurement systems that are objective and systematic so that they generate the same answer when applied by different people and over time. If the measures achieved are heavily based on subjective appraisal they will not be reliable.

5. **Data gathering can be difficult:** in order to measure an outcome it can be necessary to develop a research program that employs qualitative and quantitative research processes. The conduct of research must be both efficient and have efficacy, otherwise the reputation and, potentially, the resourcing of an organisation, may be at risk. Therefore, the development of rational and effective models of data collection is critical in order to measure some forms of outcome.
Identifying the user(s) of the outcomes data and the quantity, quality and timeliness of information required: outcomes data, like any other information product is not an end in itself, but a tool to improve decision-making and to motivate improvement. In some cases, there may be a range of different users of the data, including both internal and external decision makers. The needs of the data users need to be clearly identified and prioritised so that the products of outcomes measurement meet users’ needs.

Building corporate level reporting for internal and external purposes: There can be a dichotomy between internal and external reporting requirements suggesting that the development of alternative outcomes measurement arrangements can be undertaken for differing purposes. Causality and cost/benefit questions must be raised but the development of outcomes measurement frameworks that are fit for purposes is critical to maintaining the legitimacy of the reporting process.

Allowing for input from individual service recipients but building for corporate level reporting—aggregating outcomes: while one-size-does-not-fit-all and recognising that individual service recipient input is critical to ensuring an outcome represents the best measurement for assessing impact at the service recipient level, there is also a need to aggregate outcomes reporting. Managers, senior executives and boards must receive reports informing them as to how successful the organisation has been in terms of meeting its mission. They must use these to make decisions regarding operations and strategy as well for working toward sound governance. This is extremely difficult because outcomes can be descriptive rather than quantitative and may not be able to be aggregated.

Allowing for individual service recipient input but maintaining administrative costs at an acceptable level: outcomes identification, development, implementation, reporting and assurance all cost – in terms of expenses in preparation and in terms of lost opportunities for deploying resources to other tasks. While the cost/benefit calculus must be made, there is considerable difficulty experienced in organisations when deciding what constitutes a valid and appropriate investment in this administrative process.

Recognising one-size-does-not-fit-all: stakeholders and organisations need to have a reporting process that spells out how effective the organisation has been. Government agencies need this in order to meet their obligations when spending public funds, other stakeholders need it to maintain their confidence in the service provider, and service providers need to do this in order to maintain legitimacy, advocate for continued and additional resourcing, and to develop their own strategy toward mission achievement. When considering these needs, it is tempting to adopt higher level or generic outcomes in order to facilitate such reporting. However, focus needs to be retained at the individual level as well.

Recognising that assurance over outcomes reports is critical: all sectors of the economy are used to the audit process as it applies to financial reporting. However, efficient and effective assurance processes are needed to ensure outcomes measurement frameworks and reports have efficacy.

Therefore, the research program will focus on these areas in combination with a view to developing appropriate models and processes that would meet the challenges above in the most efficient and effective manner.
The research program introduced in this document has been developed in order to address the fundamental challenges described above. In doing this, it is recognised that there needs to be a set of principles driving the research and these include:

- All research activities must result in industry-ready outcomes notwithstanding that some fundamental research will be required in order to build the platforms necessary for meeting the goals of this program;
- Wherever possible, to ensure the above research activities will have the highest level of input from service providers;
- It is recognised that not all findings, models, or other outputs emanating from this program will meet the needs of all organisations and that there will be a gap existing at the end of the program. However, it is not the program’s intention to try to be all things to all people—rather, it is to produce effective and useful outputs that meet the needs of organisations experiencing significant challenges in this area of reporting;
- The program will be difficult but, ultimately, rewarding for participants, the research team and the broader community, including government and the wider Not-for-profit sector; and
- The results of this research will be made available for dissemination and application where appropriate.

Overall, the research program will also build on research completed to date and not seek to reinvent that which has already been completed. Further, the research activities will be undertaken in accordance with Curtin University’s ethics requirements and will protect the anonymity of participating organisations.

Therefore, Grant Thornton and the Curtin Not-for-profit Initiative are very keen to engage with organisations providing human services across Australia, regardless of size and activity type, in order to ensure this important research program remains grounded and is able to provide assistance to as many organisations as possible.

Grant Thornton and the Curtin Not-for-profit Initiative are very keen to engage with organisations providing human services across Australia.
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**Grant Thornton Australia**
Grant Thornton is one of the world’s leading organisations of independent assurance, tax and advisory firms. In Australia, more than 1200 Grant Thornton people work with dynamic companies, public sector bodies and not-for-profits to help them unlock potential for growth in their own organisations and in the wider community.

Grant Thornton is passionate about helping not-for-profits succeed in their missions. Our clients include some of Australia’s most admired NFPs and independent research (Beaton Benchmarks 2015) has recognised us as the leading accounting and advisory firm serving this sector.

**The Curtin Not-for-profit Initiative**
Curtin’s School of Accounting established the Curtin Not-for-profit Initiative in 2011 following a refocus of research objectives toward industry-ready research outputs that are readily applicable in practice. As such, the aims of the Initiative are to:

1. Develop a body of research focused on practical and implementable outcomes that will enhance the resilience, efficiency and sustainability of the Not-for-profit Sector Australia-wide
2. Build significant and effective industry engagement in order to identify and prioritise the topics of research, and to facilitate dissemination and discussion of the findings to the best effect for the sector; and
3. Build a body of up-to-date, Australia specific knowledge that can be used to inform policy and practice within government, the Not-for-profit Sector and the broader community with a view to enhancing policy outcomes to the greater benefit of all communities in Australia.

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