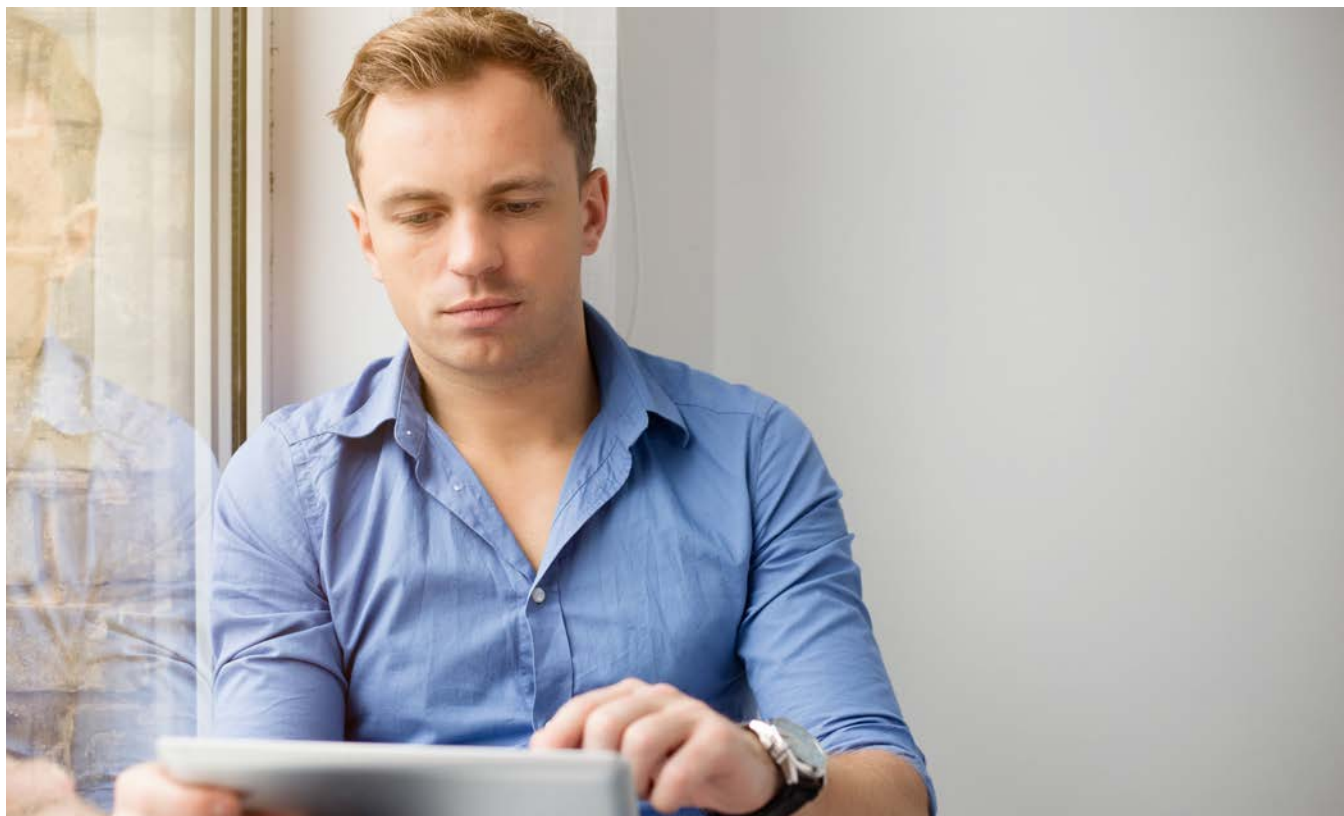


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# *Contestability and Rightsourcing*

Understanding the 'art of the possible'  
to achieve better outcomes



## Challenging the status quo

All governments face similar pressures of increasing public demands and expectations in the face of growing resource constraints. Responding to this challenge, some are exploring how 'contestability' can help. But this is an often misunderstood term and many see it as tantamount to an assumption to outsource or privatise public services.

Our view is that a range of options exists for exploring and securing contestability and this brief paper explores these options.

*Contestability therefore means different things to different people.*

*Our interpretation focuses on the potential or otherwise of public service delivery being able to demonstrate itself as the best possible solution to optimal delivery of those services or, critically, securing the intended outcomes.*

*Our view is that adopting a 'Rightsourcing' approach will help the public sector explore and adopt the optimal approach.*

## Services vs outcomes?

This focus around services vs outcomes is as critical as the whole question of contestability. Our view is that there should be a clear shift to a greater outcomes focus – and with it a strong desire and incentive for providers (from whatever sector) to innovate around ways in which these outcomes can be secured. Traditional approaches to commissioning have focused on *doing the same things differently* – our view is that it is now time *to do different things*. This perspective supports the whole notion of services or other interventions being considered from the recipients' rather than the providers' perspective.

## Contestability

*Where a service or aspect of the public sector can be compared favourably with the best from the market or other models of provision, it can be thought of as 'contestable'. Where it can't, the public sector should explore alternatives for improvement 'in house' or deployment of different models that have the potential to move closer to the best possible solution.*

One approach to testing contestability involves addressing a series of questions or issues:



**challenging** why, how and by whom a service is being provided – having regard for other potential solutions, including **cooperation** with other sectors – this might also extend to testing the extent to which current models are outcome focused; are these outcomes the right ones?



securing **comparison** with the performance of others across a range of relevant indicators, taking into account the views of both service users and potential suppliers; and critically, other **comparable** solutions – including assessing examples that have worked elsewhere



**consulting** service users, partners and the wider business community to understand their views – **what's good and less good about the current ways of working? What's the scope for doing things better?**



where there is a case for so-doing, exploring how other models could help, including using fair and open **competition**, wherever practicable, as a means of securing efficient and effective services, through a range of potential solutions – this doesn't mean just outsourcing or privatisation. This requires a Rightsourcing approach.

## Realising the potential of contestability

Establishing the *potential* of a service to be the best possible solution is one thing. Making it so is another. The question for public sector providers is therefore *how confident are they that the potential to be the best can be realised?* And what gaps, risks or impediments exist that would prevent such a position being realised?

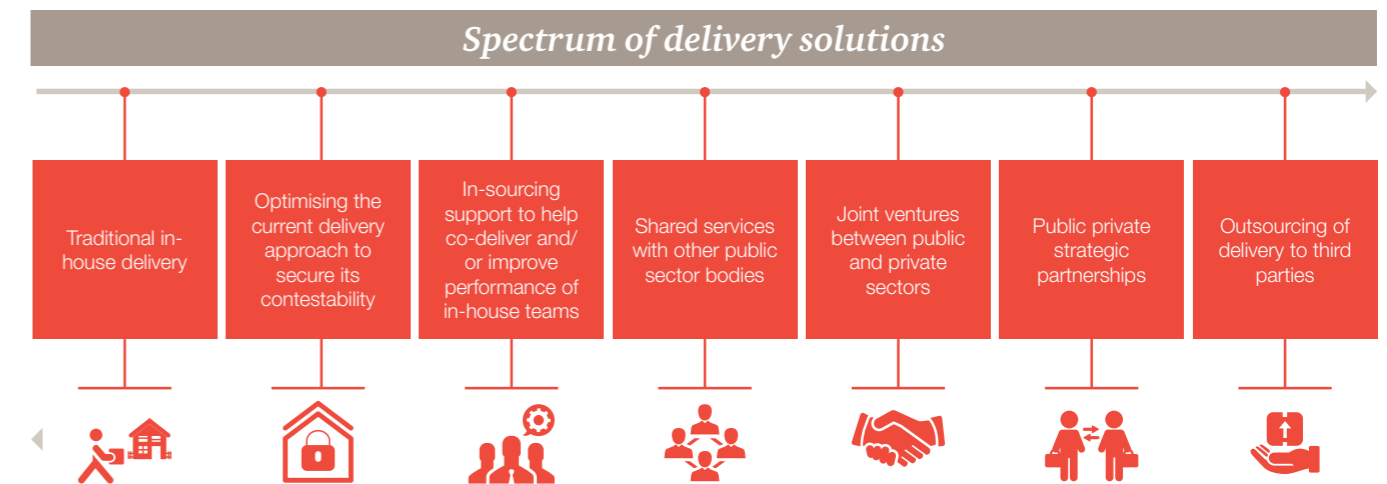
It can be argued that all public service provision faces the challenge of reaching contestability. And with increasing budget pressures and competing demands on the public service resourcing, **any expenditure supporting sub-optimal delivery can be regarded as waste.**

Knowing true contestability requires an understanding of the 'art of the possible'. The public sector can then compare where it is now and establish what would need to change to address any gaps.

Critical to this consideration is who takes risk for making this happen, and how is that underpinned and incentivised? **There may be the potential to be contestable but is that genuinely realisable?**

## Outsourcing is not the only solution

*Many would see outsourcing as the only solution to un-contestable public services. But that is a blunt instrument and jumps to conclusions. Our preference is to adopt a **Rightsourcing** approach – exploring a range of alternatives:*





Under a *Rightsourcing* approach, the public sector explores not simply the opposite ends of a spectrum (in-house or outsource), but all those potential solutions in between reflecting:

- The area or service’s strategic intent – where it wants to get to in overall terms
- Whether the area is singular or discreet or whether there are sub-packages or supporting sub services
- Where it is now – its baseline and how closely that compares with what good would look like
- Key considerations or criteria that would define success from all stakeholders’ perspectives – this would include key risks to be managed and the legality of options being considered
- Alternatives along the spectrum – known and unknown, and their availability (such as in the market if third parties are involved)
- How these alternatives would compare with the strategic intent and associated ‘evaluation criteria’
- **Which solution has the greatest potential to deliver and meet the evaluation criteria**
- A ‘road map’ setting out the right way forward.

## A program of contestability

*Theoretically, contestability could be applied to all service areas but it’s unlikely that that would make sense. A means of prioritising areas of focus is required.*

Our recommendation here is to adopt a high level scanning approach, identifying candidates for inclusion, comparing these with some high level criteria and then progressing those that show the greatest potential for improving contestability.

### High level criteria might reflect:

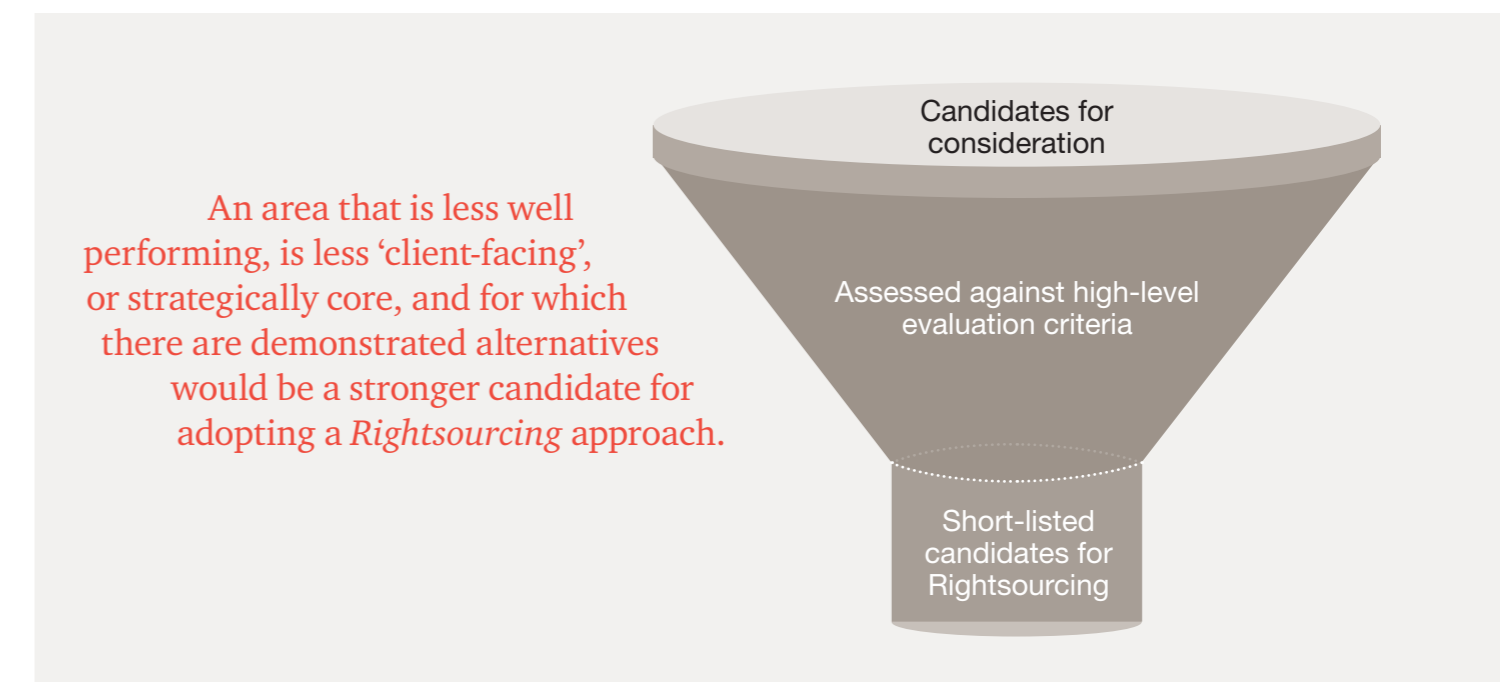
1. The extent to which the area is delivering directly to the public, or is strategically core to the organisation
2. Whether there are lower or higher risks involved – related to the first point.
3. The maturity and experience of alternative solutions – have others adopted more innovative solutions – with what success?
4. And critically, a high-level assessment of how well the area is currently performing – compared to recognised and respected ‘yard sticks’.

## Rightsourcing the candidates

Having established the candidates from the short-listing process, the Government could apply the *Rightsourcing* methodology to each of those candidates, or to the ‘strongest candidates’ first.

This would reflect an objective process that was ‘bought-into’ by the service providers and sponsors.

*Rightsourcing* identifies which of the potential delivery solutions has the greatest prospect of achieving the Government’s objectives and supports that with a carefully managed implementation program.



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