

## H4 Consulting Brief

# New Money

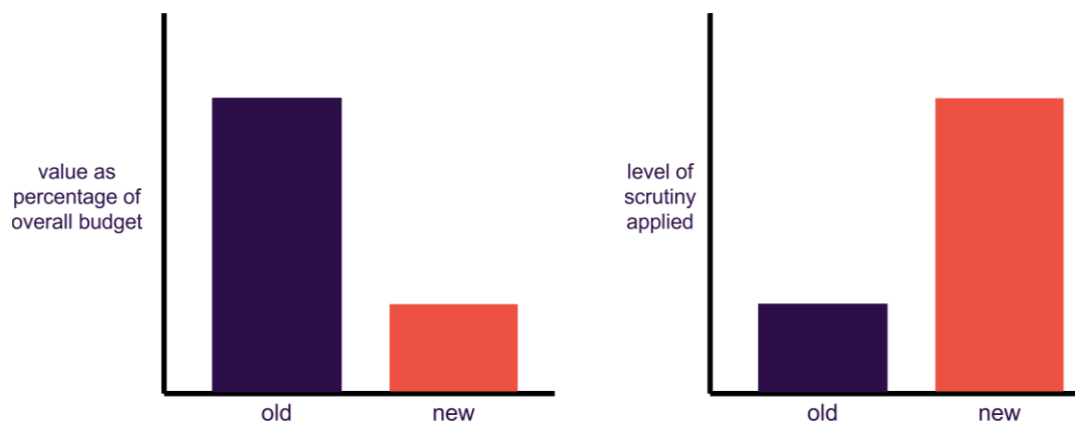
Publicly funded organisations spend substantial time and resources scrutinising proposals for relatively small investments of new resources. Existing recurrent allocations, which make up the overwhelming majority of public spending, are subject to considerably less control and often lower expectations. This mismatch between the scale of investment and the level of scrutiny drives an imbalance in the value derived from new money and old money.

Publicly funded organisations operate in an environment where new money is scarce and there is considerable competition among different, potentially worthwhile, investments. With public and political interest often more focused on new initiatives than business as usual, organisations often invest time and effort in competing for new money that might otherwise have been better directed.

Greater scrutiny of new investment decisions may be appropriate, for example, where outcomes are uncertain and there is a higher risk of failure relative to long-standing processes. It is also impractical, disruptive, and inefficient to constantly interrogate and potentially overturn past investment decisions in the light of potential new investments. Excessive focus on allocation decisions about new money, however, risks underutilising the vast majority of public resources.

The costs of preparing and analysing proposals for highly contested new money are substantial. So much time and effort expended in pursuit of relatively small new investments leaves less available for business as usual, or for identifying opportunities to derive more value from existing spending. Historical patterns of spending and prioritisation are perpetuated, sometimes for decades beyond the original investment decision, and often without confirming their continued value. Decisions to disinvest, when they occur, are often externally driven and highly disruptive.

The zero-sum game of competing for new money creates incentives that distort new investment proposals. Seeking to maximise their resources, publicly funded organisations can be driven deeper into silos rather than seeking out partnerships and integration that could offer superior outcomes.



Another way of allocating efforts to maximise the value of both new and old money would be to prioritise effort based on the relative potential for deriving better value overall. This would enable a shift of focus from some low value, low risk new money proposals, to more thoroughly assess the relative merits of larger existing investments that may no longer yield public value equivalent to their costs.

Resourcing dedicated programs of rolling evaluation, continuous improvement, and ruthless culling of existing programs as better information or techniques become available will free up resources for new initiatives while encouraging better performance overall. Continuous assessment and reallocation are also less disruptive than major cuts. Reallocated old money improves both outcomes and efficiency.

Taking an integrated view of all available funding, including both new money and old money, encourages organisations to more equitably distribute their effort across developing new proposals, and improving business as usual. Reducing competition for new money also creates more space for collaborative, rather than competitive, proposals to solve shared problems by accessing the combined, existing resources of publicly funded organisations. Greater internal focus on continuous improvement and renewal also reduces the likelihood, and the pain and disruption, of externally driven reprioritisation.

Publicly funded organisations that maximise the value of all their resources, old and new, can achieve much more with finite resources. This requires rebalancing the scales between new money and old to better align with the relative potential to derive more public value.

To find out more about how you can use this approach in your organisation, contact us: [info@h4consulting.com.au](mailto:info@h4consulting.com.au)  
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