

Partnerships for Health:

A response to the Grants Management
Improvement Program Taskforce Report
March 2013



Health

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SHPN (IC) 130032

ISBN 978-1-74187-878-3

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Foreword

NSW Health has a long history of partnering with Non Government Organisations (NGOs), and recognises that the NGO sector is an integral part of the NSW health system. A strong, sustainable and effective health system will include a mix of government, not-for-profit, and for-profit providers working individually and together to ensure the best health outcomes for the people of NSW.

The Grants Management Improvement Program (GMIP) was initiated by the Ministry of Health in July 2012 to improve the administration of grants to NGOs. The GMIP Taskforce was established to consult with the NGO sector on ways to meet the aims of the GMIP.

The Taskforce's objectives were to identify systemic issues in relation to the administration of NSW Health grants to NGOs and advise on opportunities for improving funding processes.

The Taskforce has now submitted its report, which makes 43 recommendations that focus on a range of key themes. This response indicates what actions and activities are planned in relation to the identified themes.

I would like to thank the Taskforce for its work in preparing the report, which provides important input from the NGO sector on the challenges associated with the current funding of grants, and how these could best be addressed.

The very first recommendation made by the Taskforce was:

That NSW Health make a formal statement about the value which it places on the health NGO sector in terms of its role in the delivery of improved health outcomes for the people of NSW, and its vital role in the delivery of health services in partnership with the government.

I have no hesitation in making such a statement. NGOs are a critical partner in the delivery of a full range of health services required to maintain and improve the health of the communities in which they work. NGOs provide invaluable support across the spectrum of health care, and can provide unique skills and expertise to the health system.

I encourage all NGOs and other providers to actively work with NSW Health in implementing the changes needed, and look forward to seeing strong partnerships to deliver health care as a result.

Dr Mary Foley
Director General

Contents

Introduction	3
Background	4
The Grants Management Improvement Program (GMIP).....	4
Aims of the GMIP	4
GMIP Taskforce	5
Partnerships for Health – the building blocks identified by the Taskforce	6
Planning and prioritising	6
Contracting, Managing and Reporting	8
Flexible Funding Models	12
Across-government approaches	15
Making the Transition.....	16
Partnerships for Health Funding Model Planning	17
Funding Model Implementation.....	17
Development of tools to support the new system.....	18
Communication and Consultation	18
Further Information	19

Introduction

This response provides advice regarding NSW Health's planned approach to addressing the recommendations of the Grants Management Improvement Program (GMIP) Taskforce Report.

A key issue to be addressed upfront is terminology. 'Grants Management' does not encapsulate all the many, and varied ways the health system will need to partner with Non Government Organisations (NGOs) and other third party providers into the future. Into the future, 'grants' are likely to be less common, and rather NSW Health will be purchasing services to be delivered on its behalf, or by providing financial assistance to support services provided by another organisation. Key to the varied arrangements is considering how best to partner to ensure the delivery of the best health services in NSW.

Consequently, rather than continuing to refer to how 'Grants Management' is improved, this report will be considering the best ways for NSW Health to partner with other organisations to deliver the services needed in NSW.

The NSW Government is one of many providers in the health system in NSW. Other providers include the Commonwealth, not-for-profit organisations, for-profit organisations, voluntary groups and so on. The residents of NSW are increasingly expecting consistent, accountable, and integrated services – regardless of the provider. The long term effectiveness, diversity and sustainability of this system requires strong, clear and purposeful relationships between providers. Innovative approaches to funding this system, which build the capacity of, and leverage existing arrangements are needed. Service delivery arrangements which harness the potential of the full range of providers, and which meet the specific needs and circumstances of communities are becoming more important.

The GMIP Taskforce Report contains 43 recommendations for improvements to the way NSW Health enters in funding arrangements with NGOs. Considering each recommendation individually does not recognise the broad, significant, and complex changes required to improve the

way NSW Health partners with external organisations. Consequently, this Response focuses on the key themes of improvements suggested by the Taskforce Report and how NSW Health will embed them in the design of the new way of working.

Further, the Taskforce Report (refer to Recommendations 3 and 4) clearly signals the need for NSW Health to consider the recommendations arising from the Independent Commission Against Corruption (ICAC) report: *Funding NGO Delivery of Human Services in NSW: A Period of Transition* (2012), and the Productivity Commission Research Report: *Contribution of the Not-for-Profit Sector* (2010). Key recommendations from both ICAC and the Productivity Commission are cited throughout this Response where relevant.

Background

The Grants Management Improvement Program (GMIP)

In July 2010 the *NSW Health NGO Program Review Recommendations Report* was released following consultation and collaboration with the NGO sector. The aim of the review was to deliver the most efficient, effective and responsive Grants Management Program practicable.

The report highlighted areas in which the interaction between NSW Health and NGOs could be improved, most notably a need to:

- Reduce red tape and improve governance, transparency, efficiency and effectiveness of the NSW Health Grants Management Program;
- Increase collaboration between NSW Health and the NGO Sector to ensure health funded NGO services provide value for money services and are broadly complementary with NSW Health priorities; and
- Strengthen partnerships between NSW Health and the NGO Sector to improve the health planning and health service delivery across all NSW health services.

Since the 2010 Report, NSW Health has introduced a new approach to the funding, purchasing and performance of health services in NSW. On 1 July 2012, Local Health Districts (LHDs) were allocated funding using a combination of block funding grants and funding based on patient activity. Local hospital systems will be gathering better information to be used locally and at state level to monitor and manage performance and budgets. Over the next two years, health service managers will be working with local communities and clinicians to ensure the new funding model works effectively.

The NSW Ministry of Health (MoH) initiated the Grants Management Improvement Program (GMIP) to look at how the planning and administration processes associated with NGO funding could be improved while ensuring these processes took account of the recommendations from the earlier review and were aligned with the new funding framework.

Aims of the GMIP

The GMIP aimed to ensure: quality and cost effective health services are delivered by NGOs; greater transparency in funding and resource allocation decisions is achieved by introducing contestability; and that the funding process is streamlined and consistent while retaining a level of flexibility to support innovation.

These improvements were considered essential to ensure NSW Health achieves not only the best value for money from the NGOs it funds, but also that those NGOs deliver the best possible outcomes for the people of NSW.

The following were the expected outcomes of the GMIP:

- NGO funded services are delivered within a strategic planning framework that is aligned with the NSW Government's goals, priorities and program objectives;
- Reduction in red tape through the use of simpler and more relevant funding contracts and longer funding timeframes;
- Introduction of contestability and purchaser/provider arrangements to support greater transparency in funding and resource allocation decisions;
- Clearer definition of funding types;
- Mandatory use of a performance monitoring and service evaluation system;
- Less duplication of service provision;
- New opportunities for the non-government sector to provide a greater range of non-inpatient health care services; and
- Stronger administrative and governance arrangements within NSW Health to support new funding arrangements.

GMIP Taskforce

The GMIP Taskforce was established in August 2012 to support consultation with key stakeholders about how the aims of the GMIP could be realised. The role of the Taskforce was to review issues associated with funding NGOs and make recommendations about how these could be addressed.

Chaired by Chris Puplick AM, other members of the Taskforce were:

- Ms Alison Peters, Director, Council of Social Services of NSW;
- Ms Sandra Bailey, Chief Executive Officer, Aboriginal Health and Medical Research Council of NSW;
- Ms Ann Brassil, Chief Executive Officer, Family Planning NSW; and
- Mr Larry Pierce, Chief Executive Officer, Network of Alcohol and other Drugs Agencies.

The Taskforce engaged in extensive consultation with NGOs and other key stakeholders throughout the latter part of 2012, holding three public forums and sixty individual consultation meetings with key stakeholders, the majority of which were NGO representatives. Sixty nine written submissions from NGOs were also considered by the Taskforce in preparing its report.

The Taskforce delivered its report to the NSW Ministry of Health in November 2012.

Partnerships for Health – the building blocks identified by the Taskforce

The Taskforce outlined a range of areas where the partnerships between NSW Health and the non-government sector can be improved. At a high-level, these are:

- Planning and prioritising
- Managing, contracting and reporting
- Flexible funding models
- Across-government approaches

Each of these themes and the approach NSW Health will take to embedding them into a new approach for partnering with the non-government sector is described following.

Planning and Prioritising

The Taskforce Report identified that partnerships with the non-government sector must be planned in accordance with current and future identified priorities of the health system. Priorities change over time, and so must the programs and services funded to meet those priorities.

Within the Taskforce Report, broad program areas were identified that may assist in the planning and prioritising of programs and services. The Taskforce advocated that partnerships with NGOs be categorised into one of nine program areas: Aboriginal Health; Aged and Palliative Care Services; AIDS, Infectious Diseases and Sexual Health; Chronic Care¹; Drug and Alcohol; Kids and Families; Mental Health; Multicultural and Refugee Services; and Oral Health.

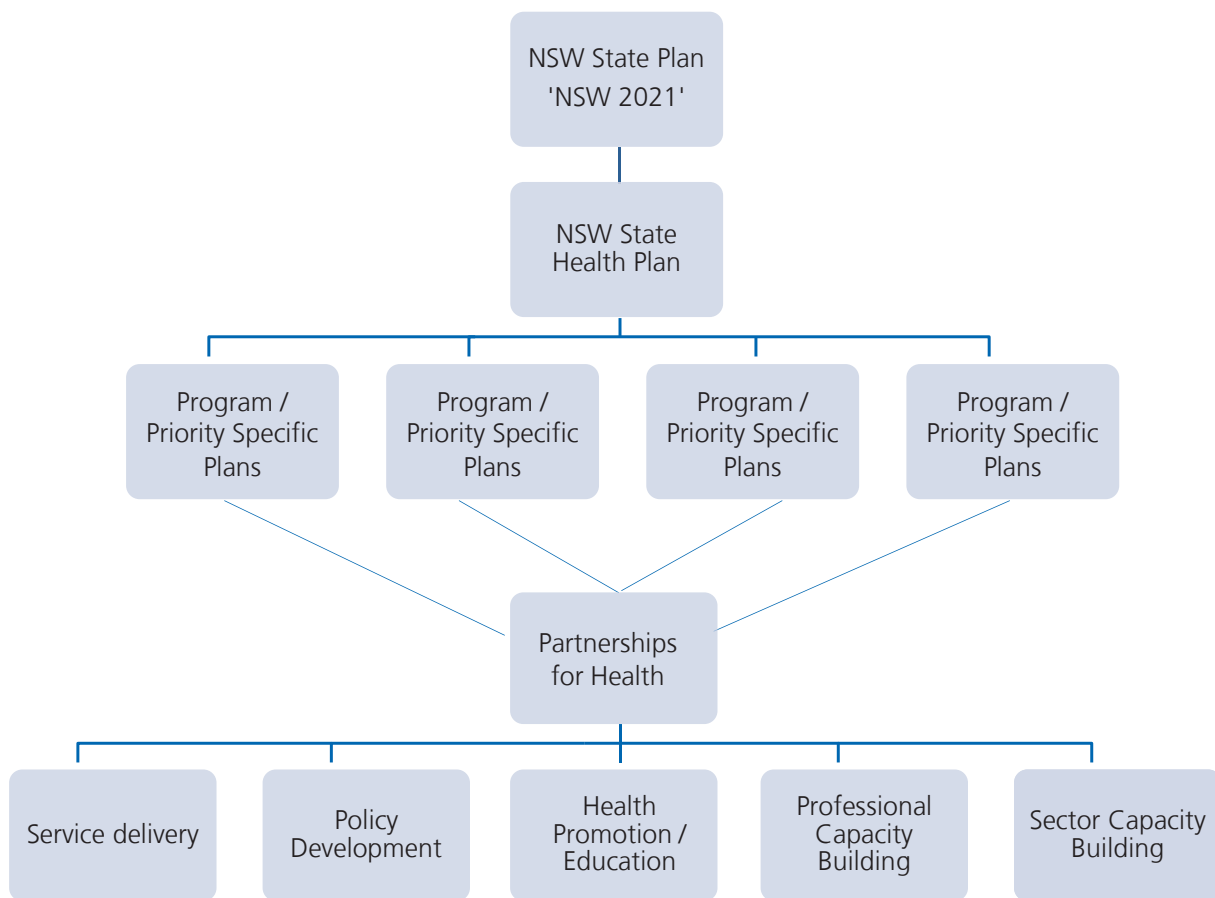
While these are useful categories to identify the type of services or client groups, these categories do not identify what the purpose of the relationship with the external provider is. For example, is NSW Health purchasing direct client service delivery? Or is NSW Health partnering in health promotion/community education? Or is NSW Health supporting key NGOs to grow a particular NGO sector?

Identifying what it is that NSW Health wants to partner for in accordance with Government priorities, may be useful to consider before considering what the partnership is.

Conceptually, NSW Health proposes that partnerships would be planned and prioritised according to Figure One.

¹ The Taskforce Report suggested Chronic Care would include Disability and all condition-specific grants.

Figure One: Conceptual Framework NSW Health Partnerships



While there will be a number of priorities across the system, the consistency needs to be in the approach to the 'Partnerships for Health'. This means the way new or expanded services are contestably procured will be the same regardless of whether they are drug and alcohol, or women's health for example.

have useful knowledge of the programs and services needed to meet the needs of communities across NSW, and hence they will be consulted in the processes used by NSW Health to determine what services to purchase, and what programs to fund (within the confines of ensuring no conflicts of interest).

All partners in the health system need the opportunity to contribute to providing advice on what the priorities for the health system should be. As key partners, NGOs have a role in contributing to the development of key strategies such as the NSW State Health Plan². NGOs and other partners will also be consulted in the development of program or priority-specific plans. Further, NGOs and other partners,

² Currently under development.

The Taskforce recommendations that would be fulfilled by clearly articulated priorities and joint planning in Partnerships for Health include:

RECOMMENDATION 2	That a clear statement be made about the framework within which the government and the NGO sector will work together to achieve the stated aims of the government and the Minister, in meeting the needs of the community and that the objectives of this partnership be outlined clearly.
RECOMMENDATION 9	That NSW Health defines and publishes a clear set of Program objectives for the NGO Program (in consultation with the NGO advisory committee) as a guide for implementation, management and evaluation of the Program as a whole.
RECOMMENDATION 10	That the allocation of funding responsibility for services within the NGO Program be on the basis outlined.
RECOMMENDATION 14	That the Program Areas model outlined be adopted by NSW Health.

The Taskforce also made a recommendation that a clearinghouse be established to facilitate the exchange of information regarding successful services/initiatives (Recommendation 37). This recommendation would be addressed by taking a joint approach to determining the priorities of the system – whereby if a clearinghouse is considered a priority, then the approach to funding it will be determined (refer to the section on *Flexible Funding Models*). In addition, the Taskforce suggested considering formal secondment arrangements between NSW Health and NGOs (Recommendation 25). These arrangements can be made possible by considering the priorities of NSW Health, and how the workforce to achieve them is best assembled.

Recommendation 39 of the Taskforce Report provides advice on the configuration of the NGO Advisory Committee (NGOAC) that the Ministry currently convenes. The NGOAC will need to be reconfigured so that it becomes a mechanism for NSW Health to seek advice from NGOs on the: priorities of the system; priority-specific plans; and the best mechanisms to deliver these priorities.

Contracting, Managing and Reporting

Once NSW Health has planned and prioritised what programs and services are required to fulfil the Government’s strategic goals, and it has determined how best to enter into a Partnership through a contestable process, then there needs to be a consistent approach to entering into contracts, managing the contract, and reporting on the progress of the contract.

The Taskforce Report signals that into the future all arrangements between NSW Health and funded organisations be through ‘contracts’, as opposed to grants, service and funding agreements and so on. Consultation undertaken by the Taskforce also illustrated that on occasion the nature of the funding arrangements and the associated reporting requirements was considered burdensome. This however, needs to be balanced with adequate control and supervision arrangements to ensure public money is well spent.

The Taskforce Report also identified that contracts need to have an expiry date, so that it is clear to all parties when the partnership ends – illustrating that to date, some partnerships continue on without clear evidence of their effectiveness or link to current priorities. The Taskforce recommended: the use of head contracts, when an organisation holds more than one contract; a three year timeframe for most contracts (unless the need for a short-term arrangement is obvious); contracts being clear on accountability; specifying evaluation arrangements; allowing for continuous quality improvement; specifying data collection and key performance indicators; including timely payment specifications; and single-source reporting for partners that are funded for different projects. In addition, the Taskforce suggested there is opportunity to streamline arrangements so that both the expectations placed on the NGO, and the required delegated authority to enter into the partnership within NSW Health, is aligned with the value of the contract.

The suggested arrangements for contracting NSW Health’s partners made by the Taskforce are prudent, pragmatic

and aligned with best-practice. NSW Health will seek to incorporate them in the standard contractual procedures for all partnerships. NSW Health already has standard contractual templates and procurement processes for entering into arrangements with private sector partners. These vary based on the monetary value of the partnership, and are classified into: less than \$1,000; between \$1,000 and \$30,000; \$30,001 to \$250,000; and \$250,001 and above. There is no reason that when contracting with NGOs, a different approach should be taken to procurement.

Within the Taskforce’s commentary on the necessary contractual provisions contained in partnership contracts, data collection and key performance indicators are identified as important components. Robust data collection is recognised as key to future planning and evaluation. Good quality data plays a vital role in supplying objective information about services so that some analytical understanding of the value of each service can be obtained. Data, more than ever before, has become crucial to funding arrangements through activity based funding. Consequently, all partnerships that are direct service provision to clients will need to count and capture their activity, in alignment with activity based funding models.

This will require NGO partners to work with NSW Health to agree what data is needed, and how it is best collected and reported. Further, NSW Health will also expect all funded partners, regardless of whether or not they are direct service providers, to embed appropriate data collection and reporting into their systems.

The Taskforce Report identified that those responsible for contract management within the system need to have the appropriate skills and experience, and that wherever possible contract management should take place in an electronic environment. Again, these recommendations from the Taskforce are aligned with best-practice, and should be transitioned into NSW Health’s arrangements for managing partnerships. Scoping of an on-line contract management system will be undertaken, to simplify and streamline contract administration, data entry and retrieval, reporting, searching, tracking, reviews and approvals, terminations and renewals, and document management. Such a system will need to be considered in light of work across NSW Health for a general information management system (not just one for NGO partnerships), and existing systems in place within other human service agencies – so that there can be synergy for organisations receiving funding from multiple sources.

The Taskforce recommendations that would be fulfilled by enhanced contracting, managing and reporting processes include:

RECOMMENDATION 5	That a centralised system of contract management be introduced at a Ministry level that does not detract from the ability of individual Program managers and staff within the Ministry from monitoring and evaluating funding outcomes and maintaining good relationships with the NGOs within their policy portfolio.
RECOMMENDATION 8	That specific priority be given in the Ministry to revising the arrangements for effective centralisation of data collection (including financial data) in relation to the NGO Program and that this data be kept up-to-date and made readily accessible.
RECOMMENDATION 11	That in terms of choice of funding models for support of NGO delivered services, maximum flexibility be retained and that any “one size fits all” model be rejected.
RECOMMENDATION 12	That the Contract Management Model as set out as a six step process be adopted by NSW Health.
RECOMMENDATION 13	That contracts between NSW Health and the NGO sector reflect the recommendations (Contractual Provisions 1-14) as outlined.
RECOMMENDATION 16	That Program Managers or officers designated to manage contracts on behalf of NSW Health receive adequate formal training and support in contract management and that this be a responsibility of the relevant peak organisation in relation to contract managers within the individual NGOs.

RECOMMENDATION 21	That all funding agreements between any part of NSW Health and the NGO sector be designated as contracts and that contracts be shaped as outlined above.
RECOMMENDATION 22	That the development of an electronically-based contracts management system, along the lines recommended in the Matthews report, be given high priority by NSW Health.
RECOMMENDATION 24	That there be a revision of the sign-off arrangements for contracts designed to reduce the requirement on the Minister to sign-off on contracts of less than \$1 million and to make appropriate delegations of authority to facilitate red tape reduction in sign-off requirements.

In addition, the following ICAC³ and Productivity Commission (PC)⁴ recommendations will be useful to consider in enhancing contracting, managing and reporting processes:

ICAC RECOMMENDATION 5	That a comprehensive information management system around NGOs be developed that captures frontline knowledge, complaints, critical incidents, accreditation and standards, program funding, audits and other information that would inform performance management and review processes.
ICAC RECOMMENDATION 6	That agreements be bundled to higher-level outcomes that are clearly measurable.
ICAC RECOMMENDATION 8	That, where feasible, agreements be set at three to five years, and funding continuity be tied to accountability for the measured outcomes.
ICAC RECOMMENDATION 10	That the contracting approach be revised, with the goal being a system where each NGO has one standard agreement with government. If an NGO is to deliver multiple services, each set of services represents additional clauses to this agreement.
ICAC RECOMMENDATION 15	That highly prescriptive programs be simplified to communicate the desired broad outcomes. These outcomes would then be delivered through unit-priced service activities.
PC RECOMMENDATION 5.3	<p>To minimise compliance costs and maximise the value of data collected, Australian governments should agree to implement a reform agenda for reporting and evaluation requirements for organisations involved in the delivery of government funded services. This should:</p> <ul style="list-style-type: none"> ■ commit to basing reporting and evaluation requirements in service delivery contracts on a common measurement framework (appropriately adapted to the specific circumstances of service delivery) ■ require expenditure (input) measures to be based on the Standard Chart of Accounts ■ develop data standards for the relevant non-expenditure items ■ ensure that information generated through performance evaluations are returned to service providers to enable appropriate learning to take place and allow organisations to benchmark their performance ■ employ, where practicable, the principle of ‘report once, use often’.

³ ICAC, 2012, *Funding NGO Delivery of Human Services in NSW: A Period of Transition*, Independent Commission Against Corruption, Sydney, NSW.

⁴ Productivity Commission, 2010, *Contribution of the Not-for-Profit Sector*, Research Report, Canberra.

PC RECOMMENDATION 11.2	Australian governments should ensure that service agreements and contracts include provision for reasonable compensation for providers for the costs imposed by changes in government policy that affect the delivery of the contracted service, for example, changes to eligibility rules, the scope of the service being provided, or reporting requirements.
PC RECOMMENDATION 11.3	Australian governments funding service provision or making grants should respect the independence of funded organisations and not impose conditions associated with the general operations of the funded organisation, beyond those essential to ensure the delivery of agreed funding outcomes.
PC RECOMMENDATION 12.5	<p>The length of service agreements and contracts should reflect the length of the period required to achieve agreed outcomes rather than having arbitrary or standard contract periods.</p> <p>Extended life service agreements or contracts should set out clearly established:</p> <ul style="list-style-type: none"> ■ processes for periodically reviewing progress towards achieving a program’s objectives ■ conditions under which a service may be opened up to new service providers or a provider’s involvement is scaled back or terminated.
PC RECOMMENDATION 12.6	<p>When entering into service agreements and contracts for the delivery of services, government agencies should develop an explicit risk management framework in consultation with providers and through the use of appropriately trained staff. This should include:</p> <ul style="list-style-type: none"> ■ allocating risk to the party best able to bear the risk ■ establishing agreed protocols for managing risk over the life of the contract.
PC RECOMMENDATION 12.7	<p>Australian governments should urgently review and streamline their tendering, contracting, reporting and acquittal requirements in the provision of services to reduce compliance costs. This should seek to ensure that the compliance burden associated with these requirements is proportionate to the funding provided and risk involved. Further, to reduce the current need to verify the provider’s corporate or financial health on multiple occasions, even within the same agency, reviews should include consideration of:</p> <ul style="list-style-type: none"> ■ development of Master Agreements that are fit-for-purpose, at least at a whole-of-agency level ■ use of pre-qualifying panels of service providers.

The Taskforce also made a recommendation that adequate resources/hours are allocated at an LHD level to manage local funding for NGOs (Recommendation 6). Any approach to managing funded partnerships that aims for improved contracting, managing and reporting will necessarily require skilled personnel to do the contract management. However, this recommendation is framed in light of the current system of funding NGOs, and reflects a system whereby NGO contractual arrangements are managed in a particular way because they are an NGO contract, as opposed to a model where regardless of the provider, there is good contract management. Consequently, this recommendation will be addressed by the overall approach to Contracting,

Managing and Reporting, and the Flexible Funding Models described following.

Similarly, the recommendations made by the Taskforce that relate to: Program Managers for each NGO Program area (Recommendation 15); the role of peak/statewide organisations for each Program area (Recommendation 17); and how policies on social media and internet access influence contract management (Recommendation 32), are similarly addressed by the overall approach to Contracting, Managing and Report, and the Flexible Funding Models described following.

Flexible Funding Models

The Taskforce Report clearly identifies that a 'one-size fits all' approach to partnerships will not work. The funding models used to partner need to consider various factors, including the Government's priorities, cost and resource availability, value for money, client need and provider capacity.

Funding models must take into consideration: policy and legislation; risk; service quality; timeliness of funding and service provision; client/community preference; cost/value for money; and service system capacity.

Table One illustrates what NSW Health will need to consider in determining how it chooses to enter into partnerships. The various domains will influence whether or not NSW Health seeks to fund partnerships through:

- Purchasing a service/program through a contestable process;

- Purchasing services/programs through provider panels established through contestable processes;
- Funding organisations through a merit-based process to support service delivery;
- Investing in opportunities to test service models;
- Funding sector/service capacity building through a merit-based process;
- Provision of a one-off grant; or
- Sponsorship.

Wherever possible efficiencies in the procurement and management of external provider arrangements will be sought. In some instances, this will mean the Ministry will purchase and manage statewide services on the behalf of LHDs, and in other circumstances, the Ministry may establish panels for LHDs to purchase from. Where LHDs are seeking services unique to their geographic location, they may seek to purchase services for themselves. Overall, the goal is to ensure an efficient purchasing and contract management system so that providers are not being managed by multiple stakeholders in multiple ways.

Table One: Considerations for the choice of funding model⁵

<p>Legislation / Policy</p> <ul style="list-style-type: none"> ■ Requirements of Governments Acts, policies or commitments for services to be delivered by a particular sector or funded in a particular way. ■ Requirements of existing Commonwealth-State agreements. 	<p>Risk</p> <ul style="list-style-type: none"> ■ Minimisation of risk to Government ■ Minimisation of risk to service provider ■ Minimisation of risk to clients ■ Duty of Care and safety requirements ■ Need for 'arms length' relationship to clients in certain circumstances
<p>Service System Capacity</p> <ul style="list-style-type: none"> ■ Existence of capable market of providers ■ Need to build system of providers ■ Design of new service delivery models ■ Service innovation ■ Equal effect in all regions / for all target groups 	<p>Client / Community Preferences</p> <ul style="list-style-type: none"> ■ Client preference ■ Community or Stakeholder support and ownership ■ Sector or community expectations ■ Maintenance of consumer choice ■ Protection of public interest
<p>Service quality</p> <ul style="list-style-type: none"> ■ Quality and Safety ■ Likelihood of achieving service outcomes ■ Equitable and prioritised service for those most in need ■ Client responsiveness ■ Cultural competency ■ Integration of client services ■ Service continuity ■ Reliable measures of service outputs and outcomes 	<p>Cost/Value for Money</p> <ul style="list-style-type: none"> ■ Ability of particular sector/s to respond to the identified service/program need within the funds available ■ Service delivery that represents good value for money ■ Encouraging appropriate competition between providers ■ Reduction of administrative burdens ■ Specification of service outputs/outcomes ■ Value-add or additional benefit to Government or service recipients ■ Short and long-term benefits
<p>Timely funding and service provision</p> <ul style="list-style-type: none"> ■ Service provision within required timelines ■ Flexibility in service provision over time 	

⁵ Adapted from Queensland Government, 2007. *Queensland Government framework for investment in human services.*

The Taskforce recommendations that would be fulfilled by a flexible approach to funding models include:

RECOMMENDATION 7	That a comprehensive review of Ministerial Policy Directives should be undertaken that relate to “other grants” and that assessments for continued funding of “other grants” should be aligned directly with the priority needs of NSW Health as they exist today.
RECOMMENDATION 18	That NSW enter into specific contractual arrangements with designated peak/state-wide organisations to provide “backbone” support to members operating in their designated area and that this funding be direct from the Ministry.
RECOMMENDATION 19	That NSW Health considers the option of contracting with a peak/state-wide organisation(s) for the management of a whole program area(s) which would be delivered by that peak organisation(s)’s constituent members.
RECOMMENDATION 34	That NSW Health explores the opportunities for sponsoring NGO co-location where synergies can be achieved for enhanced client outcomes and with savings to NSW Health.
RECOMMENDATION 43	That NSW Health commit itself to real leadership in promoting any new NGO funding arrangements.

In addition, the following ICAC and PC recommendations will be useful to consider in the development of flexible funding models:

ICAC RECOMMENDATION 7	That the price of each service activity is fixed, and that value and innovation around delivery be contested.
ICAC RECOMMENDATION 10	That bundled outcomes be used to reduce the number of transactions carried out by the agency. That larger agreements be reached with consortia heads and lead NGOs acting as integrators to shift the management complexity from the agency–NGO transactions into the outcome agreements.
ICAC RECOMMENDATION 11	That weak markets be managed primarily through adjustments to bundling of agreements in order to create an attractive proposition to potential market entrants.
ICAC RECOMMENDATION 13	That the use of grants be minimised and that grants be managed separately from service delivery funding.
PC RECOMMENDATION 9.2	<p>State and territory governments should review their full range of support for sector development to reduce duplication, improve the effectiveness of such measures, and strengthen strategic focus, including on:</p> <ul style="list-style-type: none"> ■ developing the sustainable use of intermediaries providing support services to the sector, including in information technology ■ improving knowledge of, and the capacity to meet, the governance requirements for not-for-profit organisations’ boards and management ■ building skills in evaluation and risk management, with a priority for those not-for-profit organisations engaged in delivery of government funded services.
PC RECOMMENDATION 10.2	In order to ensure that not-for-profits can sustain their workforces, and as wages are a major factor in the successful recruitment and retention of staff, Australian governments purchasing community services need to base funding on relevant market wages for equivalent positions. Costings need to take into account the skill sets required to perform the purchased services and be indexed appropriately to market wage growth within that industry sector.

<p>PC RECOMMENDATION 11.1</p>	<p>Australian governments should, in the contracting of services or other funding of external organisations, determine and transparently articulate whether they are fully funding particular services or activities undertaken by not-for-profit organisations, or only making a contribution towards the associated costs and the extent of that contribution.</p> <p>Australian governments should fully fund those services that they would otherwise provide directly (allowing for co-contributions from clients and any agreed contributions by service providers). In applying this criterion, governments should have regard to whether the funded activity is considered essential, as part of the social safety net or an entitlement for eligible Australians.</p>
<p>PC RECOMMENDATION 12.1</p>	<p>Australian governments should ensure that they choose the model of engagement with not-for-profits that best suits the characteristics and circumstances of the service being delivered. In choosing between alternative models of engagement, governments should consider the nature of the outcomes sought, the characteristics of clients, and the nature of the market. In particular:</p> <ul style="list-style-type: none"> ■ there should be no presumption that purchase of service contracting will always be the most appropriate model ■ where governments are seeking the delivery of a clearly defined outcome and markets are genuinely contestable purchase of service contracting should remain the preferred approach ■ where truly competitive markets develop and clients face real choice in the services available to them, governments should consider moving to client-directed service delivery models. This transition should be conditional upon there being appropriate safeguards in place to protect and empower vulnerable clients (or their carers) in exercising choice and ensure an acceptable minimum level of service quality and provision.
<p>PC RECOMMENDATION 12.3</p>	<p>Australian governments should ensure that whatever model of engagement is used to underpin the delivery of services it is consistent with the overarching principle of obtaining the best value for money for the community. In determining value for money, governments should explicitly recognise any indirect or wider benefits that providers may be able to generate. An evidence based approach should be used to assess the nature, extent and relevance of these types of benefits on a case-by-case basis.</p>
<p>PC RECOMMENDATION 12.4</p>	<p>Australian governments should assess the relative merits of the lead agency model on a case-by-case basis. This should include an assessment of the costs to not-for-profits of adopting this approach including any duplication of reporting and accountability requirements, the additional transaction costs associated with sub-contracting, and the potential for loss of diversity among providers.</p>

Further recommendations made by the Taskforce included transport and research being excluded from funding under the NGO Program (Recommendations 20 and 35), capital funding being included (Recommendation 33), and the medically supervised injecting room being subject to further consideration (Recommendation 38). These recommendations will be addressed by the general Partnerships for Health approach that allows NSW Health to secure partnerships from a range of providers, for a range of activities.

The Taskforce also sought a guarantee that there will be no substantial or significant modifications made to the funding arrangements for a period of at least three years (Recommendation 42). This recommendation will be addressed by a flexible funding models approach, which allows for partnerships designed to meet the current context and priorities, as opposed to imposing one model that is inflexible.

Across-government approaches

The Taskforce made several recommendations about changes needed in the way NGOs are funded and managed which are beyond the remit of NSW Health, or require NSW Health to work with other NSW Government agencies, or the Commonwealth.

While specific commitment cannot be given to implementing the suggestions made by the Taskforce as they are beyond the sole control of NSW Health, the importance of these recommendations is acknowledged, and hence NSW Health will be identifying opportunities to facilitate their consideration. Such recommendations include:

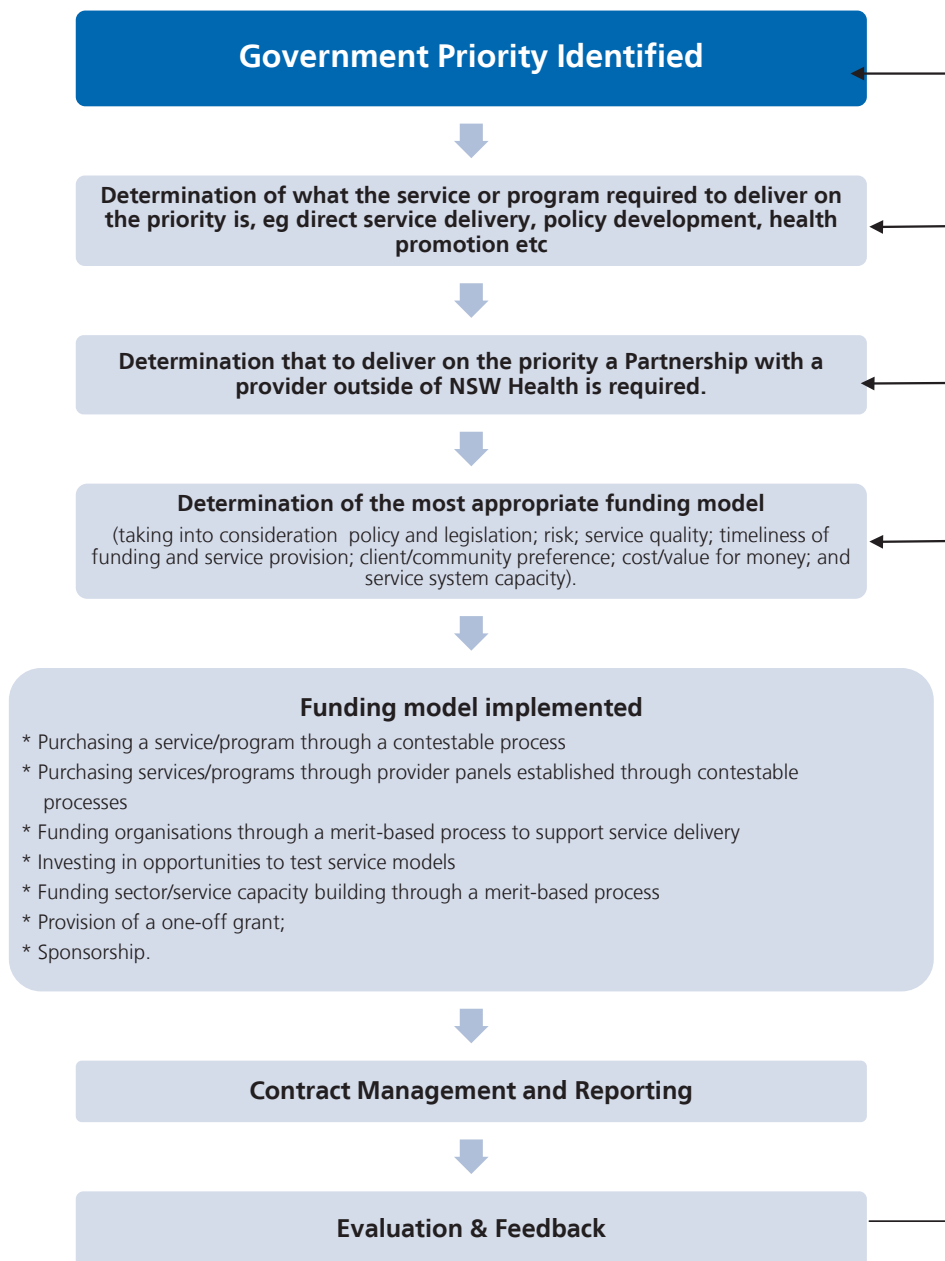
RECOMMENDATION 26	That NSW Health raise with the Department of Premier and Cabinet the development of an initiative to standardise and coordinate aspects of NGO funding on a whole of government basis.
RECOMMENDATION 27	That in relation to the above, consideration be given to the “mutual recognition” of NGO reporting requirements led by one agency where NGOs are funded from multiple NSW Government sources.
RECOMMENDATION 28	That NSW Health consider sponsoring an initiative with the Commonwealth for arrangements described above to be applied where funding of an NGO is derived from both State and Commonwealth sources.
RECOMMENDATION 29	That NSW Health request information from other NSW Government Ministries/ Departments/Agencies to ascertain the full extent of NSW Government funding of NGO delivered health services.
RECOMMENDATION 30	That arrangements be put in place whereby “accredited” NGOs can access the Treasury Managed Fund for insurance purposes.
RECOMMENDATION 31	That information be sought from the NSW Privacy Commissioner and the NSW Information Commissioner on the obligations to be placed on NGOs by state and Commonwealth legislation in relation to privacy protection, record keeping and the impact of the <i>Government Information (Public Access) Act 2009</i> (GIPA) legislation to enable the transfer of personal health information across the health sector

Making the Transition

Implementation of the new system of Partnerships for Health will be a substantial change to the way NSW Health currently sources external services. Implementing change of this scale needs to be well planned, contain considerable

consultation, and be appropriately resourced/supported. To drive the change, it is important to illustrate at a high level what the new system will be. Figure Two illustrates at a high level, the new Partnerships for Health approach.

Figure Two: Implementation of NSW Health Partnerships



As this change is complex and challenging, it will be managed in a staged manner that is mindful of the existing arrangements with NGOs. It is acknowledged that NSW Health is not starting from scratch; there are a range of priority areas where the desired service or program is known, as is the most appropriate funding model.

In these circumstances, the new funding model will be implemented as soon as practicable. This will mean that existing arrangements with NGOs will either expire, or be extended so that they cease when the new funding model is implemented. A determination of whether existing arrangements should expire or cease will be made taking into consideration any client impacts and the alignment of the existing arrangements to any known future opportunities.

It is envisaged that the new system for purchasing services from providers external to NSW Health will be complete by early 2014. Transitioning to the new system will occur during 2013 and will involve a number of key steps. Some of these steps will need to occur in tandem.

The Taskforce made a recommendation that a properly resourced NGO unit is permanently established in the Ministry that has responsibility for the oversight of the NGO Program (Recommendation 23). Over time however, as the Partnerships for Health approach is implemented, the role of a central unit will diminish as the role and responsibility for managing partnerships is embedded within the relevant part of the Ministry or LHD that has the policy/portfolio responsibility for the service being provided.

The Taskforce also made a recommendation that staff displaced as a result of any change in service delivery arrangements be managed as part of the normal industrial relations processes (Recommendation 36). NGOs will have varied industrial relations requirements, often determined by relevant employment awards and employment contracts. These industrial requirements applying to each NGO will need to be considered and managed by the NGO, just as NSW Health will be responsible for any of its staff impacted by the changes.

The Taskforce recommendations that would be fulfilled by the transition approach described include:

RECOMMENDATION 40	That a timetable for the implementation of adopted review recommendations be established with provisions for any necessary transitional arrangements.
RECOMMENDATION 41	That early decisions be made on any new NGO funding arrangements and that these be transmitted to the sector as quickly as possible.

Partnerships for Health Funding Model Planning

- Partnerships for Health funding model planning will be undertaken by NSW Health agencies (or individual Branches), based on strategic plans and priorities.
- During 2013 and early 2014, a range of funding opportunities, that align with the needs and priorities of NSW Health, will be made available to providers outside of NSW Health.
- Existing NGO funding arrangements will be extended as necessary while the funding model is implemented. This will allow for NGOs to participate in the funding model as it is progressively rolled out.

Funding Model Implementation

MoH Branches, Local Health Districts (LHDs) and Pillars will be supported to implement the chosen funding model for a priority service/program through the release of open tenders (could be for either service delivery or programs to support service delivery), establishment of preferred provider panels through an open tender process, or direct funding where appropriate. It is envisaged that by early 2014, all relevant priority services/programs will have provided the opportunity for the non-government sector to enter into new funding models.

Development of tools to support the new system

While preparation is made for the new funding models, the MoH will need to develop a range of supporting tools and resources. This will need to include policy documents, guidelines, forms and contract templates. These will need to be prepared rapidly so that they are in place, ready for the new funding arrangements.

Communication and Consultation

The Partnerships for Health approach requires the input of many partners and ensuring clear and consistent communication is crucial. Engaging with key stakeholders around the changes that will occur as the new system is rolled out will be critical if implementation of these changes is to be successful.

The following mechanisms for communication and consultation are (or will be) put in place:

- High-level **Implementation Group** – consisting of Senior MoH Executives, LHD Chief Executives, and Chair of the GMP Taskforce to oversight the process.
- **NGO Advisory Committee (NGOAC)** – to be used as a consultation mechanism for the NGO sector, and provide input as the transition occurs.
- **Workshops/information sessions** will be held for NSW Health staff and the non-government sector to introduce the new system and explain the responsibilities of individual stakeholder groups to enable them to understand and work within the new system.
- The NGO component of the **NSW Health website** will be updated regularly.
- LHD Chief Executives (CEs) and MOH Directors will be asked to nominate '**champions**' to work with the MOH Integrated Care branch on implementation of the new system for funding NGOs

Further Information

For further information about the new funding system being developed:

- Visit the NSW Health website, which will provide regular updates on implementation progress www.health.nsw.gov.au

For information about how implementation of the new system will affect your individual circumstances:

- NGOs should contact their NSW Health funding provider.
- Consumers should contact their NGO service provider or their Local Health District.

