

# Grants Management Improvement Program Taskforce (GMIT) Report

NOVEMBER 2012



# CONTENT

CONTENT .....	3
EXECUTIVE SUMMARY .....	5
RECOMMENDATIONS .....	7
1. INTRODUCTION .....	11
2. THE EXTERNAL ENVIRONMENT .....	15
NSW State Government Initiatives : Health .....	15
NSW State Government Initiatives : Other .....	17
Commonwealth Government Initiatives : Health .....	17
Commonwealth Government Initiatives : Other .....	17
3. THE CONSULTATION & RESEARCH PROCESS .....	22
The Grants Management Improvement Taskforce .....	22
Information and Discussion Papers.....	23
Consultations .....	23
Surveys.....	24
Submissions.....	25
Research.....	26
Analysis of funding .....	28
4. FUNDING ARRANGEMENTS – A SNAPSHOT.....	28
Analysis of funding .....	28
Resourcing for management of NGO funding .....	31
Sponsorship arrangements .....	33
Data collection.....	33

<b>5. DEFINING THE PROGRAM – THE PRINCIPLES</b> .....	<b>35</b>
The “What?” of funding .....	36
The “Who?” of funding.....	37
The “How?” of funding.....	39
<b>6. IMPLEMENTING THE PROGRAM – THE PRACTICE</b> .....	<b>42</b>
Stage One : Budget Allocation.....	42
Stage Two : Determining Needs and Priorities.....	42
Stage Three : Determining Programs .....	43
Stage Four : Aligning Programs with “Peaks”/ State-wide Services.....	44
Stage Five : Selecting the Funding Model / Awarding the Contract.....	47
Stage Six : The Contract.....	48
<b>7. ANCILLARY MATTERS</b> .....	<b>58</b>
Whole of government approaches.....	58
NSW Health approaches .....	60
NGO Advisory Committee .....	63
Timetable for implementation and transitional arrangements.....	63
<b>8. LEADERSHIP AND THE WAY FORWARD</b> .....	<b>66</b>
<b>LIST OF APPENDICES</b> .....	<b>69</b>
APPENDIX 1 .....	70
APPENDIX 2 .....	72
APPENDIX 3 .....	75
APPENDIX 4 .....	80
APPENDIX 5 .....	86
APPENDIX 6 .....	88

## EXECUTIVE SUMMARY

The Program through which NSW Health provides funding to the non-government organisation (NGO) sector has been the subject of a number of reviews over recent years without resulting in any significant changes to the scope, nature or management of the Program. This Review, drawing upon those past efforts, has engaged in an extensive consultation process across all aspects of NSW Health and the NGO sector with a view to providing recommendations to the Ministry of Health about how this Program should be improved and revitalised.

What we are proposing is a new approach more in line with the current Government's policy of devolving service delivery and decision making to a point as close to the patient/client as possible. In effect this means finding ways for the non-government organisation (NGO) sector to be more directly involved in the provision of some services which were previously delivered by the Ministry of Health or the Local Health Districts (LHDs) and Speciality Health Networks (SHNs).

This presages a period of significant change in both thinking and service delivery.

At the same time we have been guided in our thinking and recommendations by the need to respond to the current financial environment facing NSW Health and the imperative of adhering to the Minister's commitment to patient-focused services based on the CORE principles of Collaboration, Openness, Respect and Empowerment.

The Review proposes a new approach based upon:

- Making fundamental decisions about which services currently provided by NSW Health should be considered for devolution to the NGO sector
- Categorising all payments into a limited number of specific Programs, within each of which clear priorities for funding would be established
- Determining whether funding and administrative responsibility for each service lies with the Ministry of Health or with the LHDs/SHNs
- Providing criteria to determine which alternative models of funding should be adopted for any of these devolved service
- Ensuring that in the decision making processes, quality external advice is provided by the Ministry's NGO Unit and the NGO Advisory Committee
- Partnering with funded peak or state-wide service organisations to support them in the provision of "backbone" services to the NGO sector

- Moving all funding agreements from a variety of arrangements into contracts which should be fundamentally redrawn in a simplified and more coherent fashion designed to preserve adequate accountability on the one hand with an easing of the red tape/regulatory/reporting burdens on the other
- Addressing a significant number of ancillary matters which we have identified and which need to be resolved in order to improve the overall efficiency and management of the Program.

Finally, but vitally, we make the point that leadership is required at all levels of NSW Health to drive forward the processes of reform and achieve the goals which are set out in our Review.

**Chris Puplick AM**

**Chair, Grants Management Improvement Taskforce**

## **ACKNOWLEDGEMENTS**

**The Taskforce wishes to acknowledge the support which it has received from all sections of NSW Health, in particular the NGO Unit and all those people and organisations who so willingly consulted with the Taskforce in the conduct of this Review.**

## Recommendations

RECOMMENDATION 1	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.
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 3	That the Ministry of Health monitor closely recommendations arising from the ICAC report into NGO funding, support a position of minimum additional regulation being placed on the sector, and advocate that any such recommendations should support rather than hinder NGOs from further developing their services and partnerships with NSW Health.
RECOMMENDATION 4	That the Ministry of Health adopt the general principles set out in the report of the Productivity Commission (as referenced) and use these as a basis for the restructuring of its health NGO Program.
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 6	That adequate resources/hours are allocated at an LHD level to manage local funding for NGOs.
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 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 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 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 14	That the Program Areas model outlined be adopted by NSW Health.
RECOMMENDATION 15	That Program Managers be appointed to head each NGO Program area.
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 17	That NSW Health designate a peak/state-wide organisation(s) to be associated with each program area.
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 20	That transport be excluded from funding under the NGO Program, while ensuring that health-related transport services are adequately funded from some other appropriate source.
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 23	That a properly resourced NGO Unit is permanently established within the Ministry that has responsibility for the general oversight of the NGO Program, liaison with the Program Managers and which is able to advise LHDs/SHNs about matters relevant to the Program.
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.
RECOMMENDATION 25	That NSW Health gives consideration to establishing a formal secondment arrangement between itself and the NGO sector/individual NGOs.
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 only 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
RECOMMENDATION 32	That NSW Health, through the NGO Advisory Committee, identify aspects of policy in relation to the use of social media and access to the internet which may minimise the opportunities for effective contracts to be developed between NSW Health and the NGO sector.
RECOMMENDATION 33	That the NGO sector not be excluded from access to capital works funding support.
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 35	That funding for research which is not an integral part of any funded Program not be provided from within the existing NGO Program.
RECOMMENDATION 36	That staff displaced as a result of any change in service delivery arrangements be managed as part of the normal industrial relations process.
RECOMMENDATION 37	That a clearinghouse be established (by competitive tender) to facilitate the exchange of information within and across the NGO sector related to successful services /initiatives.
RECOMMENDATION 38	That the special position of the medically supervised injecting centre be subject to further consideration in relation to its status and funding outside the NGO Program.
RECOMMENDATION 39	That an NGO Advisory Committee be established along the lines proposed in this document above.
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.
RECOMMENDATION 42	That once any new arrangements are put in place the sector be guaranteed that there will be no substantial or significant modifications made to it for a period of at least three years.
RECOMMENDATION 43	That NSW Health commit itself to real leadership in promoting any new NGO funding arrangements.

# 1. Introduction

The election of the Coalition Government in March 2011 brought about a number of fundamental changes in the structure and operation of the health system in New South Wales coming on top of the process of national health reform initiated by the Commonwealth over the past few years.

Critically, under the direction of the newly appointed Minister (Hon Jillian Skinner MP) and the Director General (Dr Mary Foley) the system was reorganised with a Ministry of Health replacing the previous Department of Health and with major devolution of responsibility and authority away from the centre to reformed and restructured Local Health Districts (LHDs) and Speciality Health Networks (SHNs). In addition the so-called “pillars” (Agency for Clinical Innovation, Bureau of Health Information, Clinical Excellence Commission, Health Education and Training Institute) supporting the Ministry were given new roles and responsibilities and a new Pillar, NSW Kids and Families was established.

As part of the continuing review of the structure and function of all aspects of the health system a review was commissioned to examine the role which Non-Government Organisations (NGOs) or “third party providers” could play in improving health outcomes for the people of New South Wales.

Specifically this Taskforce was commissioned to “consult with the NGO sector to find ways to practically improve the management and delivery of grants to NGOs.” This Report constitutes our response to that instruction.

The Government has set out its long-term goals for the State in *NSW 2021* a strategic whole-of-government plan aimed to “make NSW number one”. In that Plan there are two goals which relate specifically to outcomes in health and for which the Minister for Health is responsible. These are:

**GOAL 11 – KEEP PEOPLE HEALTHY AND OUT OF HOSPITAL.**

**GOAL 12 – PROVIDE WORLD CLASS CLINICAL SERVICES WITH TIMELY ACCESS AND EFFECTIVE INFRASTRUCTURE.**

In addition, Goal 4 (Increase the competitiveness of doing business in NSW) mandates action to “reduce red tape” by (inter alia) reducing the regulatory costs and burdens on the NSW community.

The Minister for Health and Minister for Medical Research further committed the health system to ensuring that all its policies and activities were, in the first instance, patient-centred or patient focussed and established that the underlying principles of the system were to reflect the CORE values of Collaboration, Openness, Respect and Empowerment.

It is against these principles of devolution, patient-focussed and CORE principles and within the framework of the State Plan that this Review has been conducted.

The Taskforce appointed to oversee this process is conscious of the fact that the NGO grants Program area of health-related activity has been the subject of several previous reviews or re-examinations.

In November 1996 the NSW Treasury issued a document, *State Government Funding of Non-Government Organisations, A Guide to Funding Procedures* which established a framework for the management of grants to NGOs. Although there have been many changes in the procedures since that date, the Principles set out in the NSW Treasury document are worth restating because they continue to apply and have relevance. They state:

*“The NSW Government and the community services sector are committed to the ongoing role of Non-Government Organisations in service delivery. The role of NGOs include:*

- *Delivery of services which are part of the Government’s core responsibilities;*
- *Facilitating citizen involvement in decision-making through the development of management and advocacy skills;*
- *Improving the welfare of disadvantaged members of the community by allowing them to develop projects which are responsive to their perceived needs; and*
- *Development of innovative forms of service delivery.*

*For these reasons NGOs have an important place in the delivery of public services, and the government has developed these guidelines to give effect to a partnership which recognises the contributions of NGOs and the need for appropriate accountability mechanisms.”*

In 2006 the then Government issued a policy paper, *Working Together for NSW* as “an agreement between the NSW Government and NSW non-government human services organisations” which stated that the NSW government:

*“values the vital contribution that the non-government sector makes to build a fairer, more sustainable and inclusive society.”*

*Working Together for NSW* identified “Principles for the Relationship” as being based upon:

- Evidence-based approach
- Outcomes
- Accountability
- Respect
- Communication
- Independence
- Inclusiveness.

And “Principles for Funding Relationship” based upon:

- Value for money
- Fairness, integrity and transparency

- Cooperation
- Diversity
- Consistency
- Probity
- Coordination.

The current Taskforce and the NGO sector broadly endorses all those principles as being of continuing relevance and further notes and endorses the recognition by *Working Together for NSW* of the legitimate role of NGOs in advocating for changes in Government policies and priorities in a free and open democratic society.

In 2009 the Department of Premier and Cabinet issued a paper, *Non-Government Organisation Red Tape Reduction* which promised that by July 2010 major changes would be made in such areas as standardisation of reporting and contract arrangements, the promotion of e-tendering, the use of plain English in contracts and the simplification of data collection. It does not appear that many of these commitments were subsequently given effect before the change of government in March 2011. Many of those recommendations are repeated in the report of the Productivity Commission (*Contribution of the Non-for-Profit Sector*, January 2010) and will find yet further reiteration here. In May 2012 a new Policy Directive was issued by NSW Health (*Red Tape Reduction Initiative PD2012\_023*) which sets a red tape reduction target of \$10m by June 2015. Such targets and the strategies to be used are binding on both the Ministry and the LHDs to observe and implement. Clearly red tape reduction is an important incentive for all parts of the health system to cooperate in refining, streamlining and simplifying arrangements such as those which apply to the support and activities of NGOs.

During 2009/10 the then Department of Health undertook a comprehensive review of the NGO Program issuing a *Discussion Paper* on 7 October 2009 and a *Recommendations Report* in July 2010. That review was led by the then Deputy Director-General Richard Matthews and made a series of detailed recommendations focused on the management of the Program. The NGO sector was extensively involved in this review and a considerable degree of buy-in was established to both its processes and its recommendations. Many of those recommendations remain current and valid and have been endorsed by this Review to form part of our Report in due course.

Key objectives of the Matthews Review were to reduce red tape and improve governance, transparency and efficiency in the NGO Program; make sure that the Program yielded value for money and was complementary with NSW Health priorities; and strengthen partnerships and service delivery between NSW Health and the NGO sector. Each of those objectives has also underpinned the work of this Review.

Where this Review differs is that whereas the Matthews Review was focused on making recommendations to streamline and improve the management of the existing Program, this Review is given a far wider scope to encompass the new approach of a new government focused upon both improved grants administration and *“introduce(ing) opportunities for new partnerships between*

*NSW Health and non-government organisations and other community providers”* where greater emphasis is being placed on the purchaser/provider models for the delivery of services.

We are thus called upon to recommend not only how any funding arrangements should be administered but also what areas should be examined with the express opportunity of allowing services currently delivered from within the health system to be delivered by, or in partnership, with the NGO sector.

An overriding consideration for this Review is that NSW Health, like all other Government Departments is required to operate within Budget and that the current State budgetary position is one in which expenditure restraint is necessary. It is a priority for the current Government that services are both effective and efficiently provided and the recommendations of this Report are consistent with this.

The Taskforce believes that if NSW Health wishes to achieve an overall strategic approach to the management of support mechanisms for the health NGO sector it should state clearly what the Program objectives of such an approach are, articulated as a coherent framework for health NGOs. In addition, a formal restatement by NSW Health of its recognition of the importance of the NGO sector and the vital role which it plays in achieving positive and improved health outcomes for the people of NSW should be made. It is timely to revisit the approach taken in the 1996 Treasury Guidelines in more contemporary terms.

## Recommendations

<b>RECOMMENDATION 1</b>	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.
<b>RECOMMENDATION 2</b>	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.

## 2. The external environment

Any consideration of policy objectives for NSW Health and its relationship with the NGO sector must be based on a clear understanding that there are many pressures in the external environment which need to be taken into account.

In the first instance it is necessary to repeat that maintaining budget discipline and adherence to budgetary constraints and targets is a primary consideration of the State Government.

There are then a series of issues which are fundamentally related to activities within the health sector itself which impact upon the Government/NGO relationship.

### NSW State Government Initiatives: Health

NSW Health is working towards the development of a **State Plan** which will articulate broad goals and objectives for the health system as a whole and all activities supported by NSW Health will need to be consistent with this. It is anticipated that the Plan will be finalised in 2013 but in the meantime any set of Government/NGO relationships should be consistent with any sectoral plans which have already been developed and adopted.

Many NGOs have, in the course of this Review, indicated how much easier it is for them to frame their own operations and expectations of government where a clear Plan exists and the Review is sympathetic to this desire for greater direction and certainty on the part of NGOs.

NSW Health is moving to a new model for the funding of health services called **Activity Based Funding (ABF)**. In short, this is a system whereby activity or services are purchased by the Ministry within agreed targets, at what is called a "State Price". The unit of measure is a National Weighted Activity Unit (NWAU). Details of exactly what the Ministry will purchase from LHDs/SHNs will be detailed in its forthcoming Purchasing Framework document.

ABF budgets for LHDs/SHNs are based on the lower of the State Price or LHD's/SHN's Projected Average Cost (PAC) for the agreed level of activity. This means that where an LHD's/SHN's PAC is less than the State Price, it is funded at its PAC. Where an LHD's/SHN's PAC is greater than the State Price, it is funded at the State Price, with a transition payment applied in 2012/13, which represents the difference between the State Price and PAC.

ABF applies at this stage to Acute admitted, Emergency and Non-admitted services for those facilities that had 3,500 or more cost weighted separations in 2009/10 (the reference year with respect to activity and costs for the 2012/13 model), with an interim funding model applied in NSW for Sub and Non-Acute and Mental Health services. ABF will be extended nationally to Mental Health and Sub-acute services from 2013/14. Services such as teaching, research, and population health, and those facilities not in scope of ABF (i.e. those with less than 3,500 cost weighted separations per year) will be block funded.

With regard to non-admitted ABF services, activity continues to currently be collected on an occasion of service basis and grouped to service events by the Ministry in reporting to the Commonwealth. A service event is described as an interaction between one or more healthcare

provider(s) with one or more non-admitted patients, containing therapeutic/clinical content and resulting in a dated entry in a patient's medical record. The non-admitted patient service event is intended to capture instances of healthcare provision from the perspective of the patient. The interaction may be for assessment, examination, consultation, treatment and/or education. Therefore, regardless of the number of health care providers or locations involved in the single consultation, a non-admitted patient service event must be counted once only.

Under the "other non-admitted" category, services may be in-scope for non-admitted ABF where they are directly related to/substitute for an inpatient or emergency department attendance or are expected to improve the health or better manage the symptoms of persons with physical or mental health conditions.

There are still many complexities and details to be sorted out as far as ABF and the Ministry's Purchasing Framework are concerned and there are many instances in which the introduction of ABF will impact on the operations of the NGO sector, most of which will emerge only in practice. However, under the Purchasing Framework, there is a potential opportunity for NGOs to leverage their capacity to provide services at a lesser price than the LHDs in a competitive environment. This of course reinforces the value of having a clear determination of the real costs of services being provided by NGOs which may potentially substitute for ABF eligible services.

The Ministry of Health is currently conducting a review of **Non-Emergency Patient Transport** (as well as a review of ambulance services, including the Royal Flying Doctor Service). This review has taken note of these developments and meetings have been held with relevant parties. Recommendations in this area form a later part of this report.

Earlier this year the State Government commissioned a review on certain non-clinical support services being provided to NSW Health, carried out by **Garry Sturges AO**. It is not known whether any of the recommendations, if accepted, would impact on the NGO sector but there is some possibility that identified services might become contestable in a way which would interest the sector.

In October 2012, following passage of the relevant legislation, a new **Mental Health Commission** was established and a first Commissioner appointed. The role of the Commission in relation to support of and partnership with the NGO sector is under discussion, however, it is not likely that the relationship between the Commission and the NGO sector will be finalised in the immediate future.

In November 2008 Mr Peter Garling SC presented his report *Special Commission of Inquiry into Acute Services in NSW Public Hospitals* which made a number of recommendations regarding the provision and coordination of services to children young people, women and families. In August 2011 Minister Skinner appointed Hon Ron Phillips to lead an Expert Group to consider these recommendations. That group submitted its report in February 2012 and in July 2012 **NSW Kids and Families** came into existence as an independent statutory authority to give effect to the Garling/Phillips recommendations. NSW Kids and Families takes its place alongside the four existing Pillars as an integral part of the operations of NSW Health. It is to be expected that it will have significant interactions with the NGO sector and will need to work closely with that sector in formulating policy advice to be presented to Government.



## NSW State Government Initiatives: Other

The **Independent Commission Against Corruption** (ICAC) is undertaking a review of Funding NGO Delivery of Human Services in NSW and in August 2012 issued a Consultation Paper. This paper recognises that there are “compelling reasons for increasing the shift from government delivery to NGO delivery of human services” but seeks to examine what it characterises as “the corruption risk in the funding arrangements” which may exist or may develop. A number of the major NGOs in NSW have already made submissions to the ICAC inquiry. In general these submissions make two points, namely that there appears to be no evidence that there is any corruption within this sector or as part of the funding arrangements and that any heavy-handed regulatory approach by ICAC would be both contrary to government efforts/policies to reduce red tape and potentially most discouraging of the continuation or expansion of NGO activity in partnership with government. The Review endorses these concerns. It is understood that NSW Health is making a submission related to the ICAC initiative to the Department of Premier and Cabinet which is coordinating a whole-of-government response to the Inquiry.

## Commonwealth Government Initiatives: Health

The federal government has established 61 **Medicare Locals** throughout Australia (20 in NSW) as part of its national health reform plan. These organisations (which largely replace previous Divisions of General Practice) are intended to coordinate the provision of locally-based general practitioner and primary care services. Many NGOs have already established close working relationships with the relevant Medicare Local(s) in their area(s), although this is not uniformly the case. As with the Mental Health Commission, relationships between the NGO sector and Medicare Locals are a work in progress and there is considerable variation across the State as to how such arrangements are developing or might develop in the future.

## Commonwealth Government Initiatives: Other

Furthermore there are a variety of non-health related externalities which may impact upon the future of the NGO sector.

In January 2010 the **Productivity Commission** released its research report *Contribution of the Not-for-Profit Sector* which was the most comprehensive review of this sector undertaken. The Commission made a significant number of recommendations some of which (such as establishment of the Australian Charities and Not-for-Profits Commission) have already been implemented. The Productivity Commission report and recommendations have generally been embraced by the NGO sector with a high degree of enthusiasm and support and its work and recommendations were replied upon extensively by NGOs in meetings with the Taskforce as the basis upon which relationships with the NSW Government and Ministry should be built. The Taskforce does not intend to repeat in detail the work or findings of the Commission but rather seeks to bring to attention a limited number of key findings/recommendations of that report which it endorses:

- The Taskforce notes the clear statement in the Report about the vital role which NGOs play in the delivery of health services and supports a policy approach on the part of NSW Health which starts by making such a clear recognition explicit in its policy framework (see Recommendation 1)

- The Taskforce supports the comment in the Report that “Many NFPs add value to the community through how their activities are undertaken. The way in which NFPs are organised, engage people, make decisions and go about delivering services is often itself of value.” (p. xxix)
- The Taskforce endorses the Report’s comments that:
  - “there is considerable scope for better measurement to improve understanding of the effectiveness of NFP activities in achieving their objectives” (p. xxvi) and “most importantly, governments need to provide clarity about the extent to which they are funding a service. This should inform the extent to which the government can impose contract requirements and appropriate risk management strategies” (p. xxix).
- Crucially in relation to the central recommendations of this Review, the Taskforce supports the comments of the Commission that:
  - “Government agencies should be required to consider and select the most appropriate model of engagement for service delivery based on:
    - The nature of the service, including ability to identify and control quality standards
    - The capabilities of the clients (or their representatives) to make an informed choice
    - The availability of service providers and scope for competition and choice
    - The risk associated with the service.” (p. xxxviii)

The Productivity Commission outlined its approach to the way in which governments should decide how to deliver services to the community through the NGO/NFP sector and set out a number of key recommendations which this Taskforce endorses:

## Productivity Commission Report Recommendations On Removing Impediments to Better Value Government Funded Services

### GETTING THE MODEL RIGHT

#### RECOMMENDATION 121

*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:*

- 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.

#### RECOMMENDATION 122

*Where a market-based approach is not feasible or appropriate, governments should use other models of engagement. This may involve governments entering into either extended life or short-term joint ventures.*

*Extended life joint ventures should adopt an iterative process that will:*

- involve all parties in the design of the program
- embed and fund an agreed evaluation process, informing program design and modification
- regularly review and revise the service delivery approaches in light of findings from evaluation, changing demands or environmental conditions
- provide long-term or rolling funding with capacity to adjust funding in light of the modifications.

#### RECOMMENDATION 123

*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.*

#### RECOMMENDATION 124

*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.*

### IMPROVING PROCUREMENT AND MANAGEMENT PROCESSES

#### RECOMMENDATION 125

*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.*

*Extended life service agreements or contracts should set out clearly established:*

- 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.

#### RECOMMENDATION 126

*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:*

- allocating risk to the party best able to bear the risk
- establishing agreed protocols for managing risk over the life of the contract.

#### RECOMMENDATION 127

*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:*

- 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 however notes that in relation to the Productivity Commission's outline of arrangements supporting the operations of "competitive markets" it is important that standards and accountability mechanisms are designed which are appropriate and not overly burdensome for the operations of LHDs and which recognise their particular role within the public health sector. It may also be the case that in relation to specialist services (such as those related to Aboriginal health) the idea of competitive markets may have less attraction or sustainability.

The Commonwealth has established an **Australian Charities and Not-for-Profits Commission** (ACNC). This is expected to be operational early in 2013 and will take over from the Australian Treasury some aspects of the regulation of registered charities and at some later date (from 2014) other types of not-for-profit organisations. Almost all NGOs will fall into one of these two categories and hence may find themselves subject to regulation by the Commission. This is of particular importance to NGOs which are registered for tax-deductibility of donations. It is not known, at this stage, how the operations of the ACNC may impact upon those NGOs who are in partnership with the NSW government. The Federal Coalition Opposition has committed to repeal of the legislation establishing the ACNC in the event of its election to office.

The 2011/2012 Federal Budget provided \$549.8 million over five years (2011/12 to 2015/16) for the **Partners in Recovery** (PIR): *Coordinated Support and Flexible Funding for People with Severe and Persistent Mental Illness and Complex Needs* initiative. PIR aims to select "suitably placed and experienced non-government organisations" within Medicare Local geographic regions to become the "mechanism that 'glues' together all the supports and services" needed by eligible individuals. Organisations are currently being invited to apply for PIR status. NGOs which achieve this status may find themselves in a very different relationship with their State Government funders in the future.

The Commonwealth Government is developing and rolling out a **National Disability Insurance Scheme** (NDIS) which is to be trialled in several locations, including the Hunter Region of NSW (where up to 10,000 people are likely to be enrolled). As with most of the other instances mentioned above, the impact of the NDIS on the financing and operations of NGOs who might be involved in the provision of a range of disability-related services is unclear and will only emerge over a period of time.

In November 2012 the **Federal Treasury's** Not-for-Profit Sector Tax Concession Working Group released a Discussion Paper *Fairer, simpler and more effective tax concessions for the not-for-profit sector* in which it seeks to canvass changes which could be made in this area. This is a further initiative derived from the recommendations of the Productivity Commission and is due to submit a final report in March 2013. It is unclear at this stage what impact this might have on future arrangements between the NSW Government and the NGO sector.

The introduction of the ***Fair Work Amendment (Transfer of Business) Bill 2012*** into the federal parliament may impact upon the way in which staff entitlements are recognised and protected when services pass from the public sector to other delivery organisations. This matter is discussed in greater detail in Chapter 7.

The above issues demonstrate that the environment in which NGOs are operating or likely to operate in the future is far from straightforward.

Major changes may result from policy decisions or administrative policies which are made entirely outside the purview of the Ministry of Health while there are also important decisions to be made by the Ministry and the State Government which may have equal impact.

Hence, a flexible approach to the readjustment of the relationship between the government and the NGO sector must remain on the agenda.

## Recommendations

RECOMMENDATION 3	That the Ministry of Health monitor closely recommendations arising from the ICAC report into NGO funding, support a position of minimum additional regulation being placed on the sector, and advocate that any such recommendations should support rather than hinder NGOs from further developing their services and partnerships with NSW Health.
RECOMMENDATION 4	That the Ministry of Health adopt the general principles set out in the report of the Productivity Commission (as referenced) and use these as a basis for the restructuring of its health NGO Program.

## 3. The consultation & research process

### The Grants Management Improvement Taskforce

The Grants Management Improvement Taskforce (the Taskforce) was established by the Ministry of Health in August 2012 to make recommendations for the Grants Management Improvement Program (GMIP).

The Taskforce was chaired by Chris Puplick AM, with members Sandra Bailey, Chief Executive Officer, Aboriginal Health and Medical Research Council; Ann Brassil, Chief Executive Officer, Family Planning NSW; Alison Peters, Director, Council of Social Service of NSW; and Larry Pierce, Chief Executive Officer, Network of Alcohol and other Drugs Agencies. NSW Health representatives were Dr Rohan Hammett, Deputy Director-General, Strategy and Resources; Catherine Katz, Director, Inter-Government Funding Strategies and Integrated Care and Joanne Young, A/Associate Director, NGO Unit. The Taskforce secretariat was provided by the NGO Unit. Information on the Taskforce can be found at [APPENDIX 1](#) , and by following this link:

[http://www0.health.nsw.gov.au/aboutus/business/grants\\_mgmnt\\_improve\\_tf.asp](http://www0.health.nsw.gov.au/aboutus/business/grants_mgmnt_improve_tf.asp)

The Taskforce's Terms of Reference were to make recommendations for the implementation of the GMIP and to examine and propose opportunities for new partnership arrangements between the NSW public health services sector and non-government organisations (NGOs) and community-based organisations.

The Taskforce's Terms of Reference also required the Taskforce to convene a number of meetings with selected peak bodies and major NGOs (those in receipt of grants over \$1 million per annum) to ensure the Taskforce gained a deeper understanding of the issues and to identify opportunities for creating new partnerships between the public sector and NGOs for health service delivery. The Taskforce also consulted with directors of branches in the Ministry of Health, which administer grants to NGOs, to seek their input on improving administration and management of grants and funding to NGOs. The Taskforce's Terms of Reference can be found at [APPENDIX 2](#), and by following this link:

[http://www0.health.nsw.gov.au/resources/aboutus/business/tor\\_gmit\\_pdf.asp](http://www0.health.nsw.gov.au/resources/aboutus/business/tor_gmit_pdf.asp)

The Taskforce's operation was guided by the Minister for Health's CORE values of Collaboration, Openness, Respect, and Empowerment. Key responsibilities of the Taskforce were to involve the NSW Health-funded NGO sector in a range of consultations and forums and to deliver the Taskforce's Report to the Director-General, NSW Health by November 2012.

Taskforce meetings were held on 22 August 2012, 28 September 2012, 16 October 2012 and 5 November 2012.

## Information and Discussion Papers

The Taskforce provided information for stakeholders primarily through the NSW Health website. The Taskforce produced a discussion paper which was released on the NSW Health website in September 2012. The discussion paper was the focus of extensive stakeholder consultation and can be found at [APPENDIX 3](#), and by following this link:

<http://www0.health.nsw.gov.au/resources/aboutus/business/pdf/gmitdiscpaper.pdf>

The discussion paper was circulated through NGO Coordinators and Program Managers, through some NGO peaks, at the Taskforce Community forums and through the NSW Health website.

## Consultations

### *Community forums*

The Taskforce consulted with NSW Health stakeholders at three forums. The forums were widely advertised in national and local media, through peak and state-wide organisations and through NSW Health NGO Coordinators and Program Managers.

Forum location	Date	# Participants	Key issues raised
DUBBO	17/9/2012	29	<ul style="list-style-type: none"><li>• Need for consistency of contract arrangements in MoH and LHDs</li><li>• Better geographical coverage of health services</li><li>• Determination of the true cost of services provided by NGOs</li></ul>
COFFS HARBOUR	18/8/2012	31	<ul style="list-style-type: none"><li>• Need for support for NGO capacity building. Some NGOs described as 'policy orphans' as they are not linked to a major health program/ policy platform</li><li>• The relationship between LHDs and NGOs was one of partnership and not patronage</li></ul>
BLACKTOWN	20/9/2012	156	<ul style="list-style-type: none"><li>• Need for definitions of what are clinical and what are shared services</li><li>• Concern that increased NGO efficiency may be seen as a threat by some LHDs</li><li>• Suggestions that NGOs could more effectively provide services</li><li>• Many NGOs need NSW Health to continue to provide support to maximise service efficacy</li></ul>

A list of participant organisations at each forum can be found at [APPENDIX 4](#).

## *Individual consultations*

The Taskforce Chair held a total of 60 individual consultation meetings, as follows:

- 45 individual consultations were held with representatives from NGOs. This included every NGO in receipt of NSW Health grant(s) over \$1 million per annum, (with one exception whose Board was unavailable to meet with the Chair), and a smaller number of NGOs that are in receipt of NSW Health grant(s) of less than \$1 million per annum.
- 11 meetings with Ministry of Health branch directors, the Chief Financial Officer and the Deputy Director-General, Strategy and Resources.
- 5 external consultations with organisations that impact the proposed NSW Health grants funding system, including:
  - Dr Elizabeth Coombs - The Privacy Commissioner
  - Ms Deirdre O’Donnell - The Information Commissioner
  - Mr John Feneley - The Mental Health Commissioner
  - Gary Sturgess – The NSW Premier’s Australia and New Zealand School of Government (ANZSOG)’s Chair in Public Service Delivery at the Australian School of Business
  - Representatives from NSW Transport and the Agency for Ageing, Disability and Home Care (ADHC)

## *Group consultations*

The Taskforce Chair also met with the following groups:

- Local Health District NGO Coordinators
- The NGO Advisory Committee (NGOAC)
- The Aboriginal Research and Medical Council
- NSW Health Senior Executive Forum

A list of meetings conducted by the Taskforce Chair can be found at [APPENDIX 5](#).

## **Surveys**

### *NGO survey*

To assist the Taskforce to gain an overview of NGOs funded under the NGO and other NSW Health Programs, the Taskforce requested that NGOs complete a brief (one week) survey, to obtain a “snapshot” of organisations and the services they delivered with NSW Health funding. Information collected included the numbers and qualifications of employees and the types of services delivered. 154 survey responses were received, the results of which are discussed in Chapter 4.



## *Ministry of Health Branches and Local Health District survey*

As there is no centralised data collection system for NSW Health funding allocations to NGOs, NSW Ministry of Health branches and Local Health Districts were asked to provide information about the NGO funding they are responsible for managing in the 2012/13 period. Further information regarding the outcomes of this request for information is provided in Chapter 4.

## **Submissions**

The Taskforce received 69 written submissions from NGOs. The call for submissions was made through the Taskforce discussion paper, through the NSW Health website and at all of the community forums.

Major themes that emerged from the submissions included:

- Need for streamlined reporting (i.e. one report to NSW Health) for those services with multiple NSW Health grants
- Lack of strategic and effective planning and performance management for the NGO Program
- Lack of a clearly designed Program Framework for the NGO program
- Late payment of accounts and grants to NGOs (up to 6 months) by NSW Health and/or LHDs
- Need for more feedback and interaction with NSW Health, which would assist in facilitating benchmarking and service delivery improvements
- Lack of a mechanism for new entrants to access the NGO Program
- Strong support for funded NGOs to be evidence-based with measurable outcomes
- Support for accountability levels to reflect the amount of the funding allocation and for contracts to be relevant and applicable to the size of the NGO
- That small services, in particular, needed to be competitive in a contestable environment
- Need to have access to industrial relations and human resources services
- The value of the Peaks to the NGO sector in building sector capacity and for providing information, advice and training
- The opportunity for services currently delivered by NSW Health to be more effectively delivered by NGOs given of the NGOs' community networks, their capacity to be more innovative, their depth of experience in service provision, their cost competitiveness and their ability to provide flexible services.

A final request for input was also invited from the NGO sector through a communication that broadly summarised the Taskforce deliberations and directions. This document was circulated to all NSW Health-funded NGOs and to members of NGOAC.

Thirty five responses were received via email and major themes included:

- A need for funds for capital works to be available to NGOs
- Support to enable NGOs to build infrastructure and stronger governance processes
- Support for evidence-based funding
- The definition of state-wide services should include NGOs that provide direct service delivery. Funding and support from LHDs for NGOs that offer services across LHDs is inconsistent. All services that cross LHDs should be administered by MOH
- The concerns of some organisations, particularly those that offer specialist services, that their funding may be jeopardised by the new model
- The importance of clear Terms of Reference for peak bodies to ensure equity, transparency and accountability. A peak body should not offer direct client services
- The period for the implementation of the GMIP should have timeframes attached, and any negative impacts, especially for those services that may be exiting the Program, should be minimised.

## Research

### *Other NSW Government Department approaches to NGO funding*

Information was requested on the funding models and contractual relationships between the following NSW Government Departments and their funded Non-Government Organisations:

- The Department of Education and Communities
- The Department of Attorney-General and Justice, and
- The Department of Family and Community Services.

The purpose of this activity was to ascertain possible commonalities of approaches to NGO funding across more than one NSW agency, what lessons might be learned from other agencies and whether anything emerged as potentially “best practice” in this regard.

Responses were received from the Departments of Education and Communities and Family and Community Services, including information about funding models, service systems and initiatives that could optimise client outcomes. No response was received from the Department of Attorney General and Justice.

### *Consideration of material from UK and elsewhere*

The following information and issues were also considered:

- Recent developments in the United Kingdom - Large-scale devolution of activities from local health authorities and councils to the NGO sector (in the UK referred to as Civil Society Organisations). Of particular relevance were details of the Transfer of Undertakings (Protection of Employment) Regulations 2006, and the report Unshackling Good Neighbours (Lord Hodgson, Chair) which made significant recommendations relating to the removal of red tape hampering the growth of the civil society sector in the UK
- Numerous journal and academic articles, together with copious material submitted by the sector (especially through its peak organisations)
- Report of the NOUS Group Not-for-Profit back-of-house function benchmarks (25 July 2012)
- Collective Impact produced by John Kania and Mark Kramer published in the Stanford Social Innovation Review (Winter 2011).

## 4. Funding arrangements – a snapshot

### Explanatory notes

The information within this chapter is based on advice provided by NSW Ministry of Health branch staff and NSW Local Health District staff in response to a request by the NSW Ministry of Health NGO Unit.

Branches of the Ministry and LHDs who have allocated funding to NGOs for the 2012/13 financial year were asked to populate individual spreadsheets with data about the funding, including the names of the NGOs that have been allocated funding, the amount of funding they will receive in 2012/13, and the purpose for which the funding is to be used. This data was then consolidated into one database (spreadsheet) to support relevant analysis.

The NGO (Ministerially Approved) Grant Program figures quoted in this chapter have been reconciled against the NSW Ministry of Health Finance Branch figures for the Program. However, it should be noted that the figures for funding that sit outside of the NGO Grant Program (ad hoc and other funding) have not been able to be reconciled and therefore care should be taken in their interpretation. The Taskforce expresses its concerns about the inability to reconcile these figures and notes the need for improvement in reporting and record keeping in this area.

### Analysis of funding

Table 1 shows that the total funding allocated by NSW Health to the NGO sector for the 2012/13 period is \$215,714,759. This figure represents 779 individual grants made to 528 separate organisations. The database available to the Taskforce does not allow an entirely accurate assessment of how many of these 528 organisations are in receipt of one grant only, although this figure appears to be in the vicinity of 227. The lack of precision in the database is a matter of concern to the Taskforce and should be addressed.

The majority of this funding (69.14%) is allocated through the current NSW Health Non-Government Organisation (NGO) Grant Program. All grants under this Program are approved individually by the NSW Minister for Health. Funding provided through other processes, such as on an ad hoc basis or utilising Commonwealth funds, accounts for 30.86% of the total funding for NGOs.

**Table 1: Funding Analysis Summary**

A. By funding type	MOH		LHD		TOTALS	
	\$value	# grants	\$value	# grants	\$value	# grants
Funding provided through NGO (Ministerially Approved) Grant Program	\$70,394,877	246	\$78,748,234	364	\$149,143,111	610
Funding provided through other means	\$52,150,978	71	\$12,637,042	92	\$64,788,020	163
Funding provided on an adhoc basis	\$1,783,628	6	\$0	0	\$1,783,628	6
<b>TOTALS</b>					<b>\$215,714,759</b>	<b>779</b>

<sup>^</sup> Figures do not include information from Southern NSW LHD

A. By funding initiator	\$value	# grants
Total funding provided to NGO sector by NSW Ministry of Health	\$124,329,483	323
Total funding provided to NGO sector by NSW Health Local Health Districts	\$91,385,276	456
<b>TOTALS</b>	<b>\$215,714,759</b>	<b>779</b>

Table 2 shows the distribution of grant size within the Program. Of the 779 individual grants, 38 are over \$1 million and account for almost 46% of the total funding allocated to NGOs for 2012/13. At the other end of the scale, 353 grants are under \$100,000.

**TABLE 2: Funding Analysis Breakdown – Grant Amount**

Grant Amount	TOTALS	
	\$value	# grants
Grants > \$1 million	\$99,028,239	38
Grants between \$500,000 and \$1 million	\$28,485,679	42
Grants between \$100,000 and \$500,000	\$69,648,208	315
Grants < \$100,000	\$18,552,633	353
Grants in-kind		31
	<b>\$215,714,759</b>	<b>779</b>

Approximately 57.64% of the total funding for NGOs is allocated directly by the NSW Ministry of Health, through their various branches. Table 3 provides a breakdown in relation to funding provided by the NSW Ministry of Health branches.

**TABLE 3: Funding Analysis Breakdown – NSW Ministry of Health (MOH) branches**

NSW Ministry of Health (MOH) branch	NGO (Ministerially Approved) Grant Program	Other funding	Adhoc funding	TOTAL FUNDING MOH	# grants
Centre for Aboriginal Health	\$9,538,622	\$61,097	\$0	\$9,599,719	74
Centre for Population Health	\$25,921,397	\$0	\$0	\$25,921,397	72
Inter-government and Funding Strategies & Integrated Care	\$3,421,470	\$0	\$0	\$3,421,470	16
Maternity, Children & Young People	\$1,263,460	\$0	\$0	\$1,263,460	9
Mental Health & Drug and Alcohol	\$23,560,928	\$52,089,881	\$1,783,628	\$77,434,437	132
Centre for Oral Health Strategy	\$5,290,200	\$0	\$0	\$5,290,200	19
Workforce Planning & Development	\$1,398,800	\$0	\$0	\$1,398,800	1
<b>Total NGO funding – NSW MOH</b>	<b>\$70,394,877</b>	<b>\$52,150,978</b>	<b>\$1,783,628</b>	<b>\$124,329,483</b>	<b>323</b>

The remaining 42.36% of total funding for NGOs is allocated by individual NSW LHDs. Funds allocated through the NGO Grant Program at a NSW LHD level are either centrally sourced, through applying for funds from the NSW Ministry of Health Finance branch, or locally sourced, utilising LHD funds. Table 4 provides a breakdown in relation to funding provided by individual NSW Health LHDs.

**TABLE 4: Funding Analysis Breakdown – NSW Health Local Health Districts (LHDs)**

Local Health District (LHD)	MOH funds  (a)	LHD funds  (b)	NGO (Ministerially Approved) Grant Program (a) + (b)	Other funding	TOTAL FUNDING LHDs	# grants
Central Coast LHD	\$2,045,000	\$241,005	\$2,286,005	\$201,139	\$2,487,144	24
Far West LHD	\$4,038,000	\$0	\$4,038,000	\$0	\$4,038,000	8
Health Support Services	\$19,600	\$0	\$19,600	\$0	\$19,600	1
Hunter New England LHD	\$3,600,100	\$1,369,024	\$4,969,124	\$264,500	\$5,233,624	63
Illawarra Shoalhaven LHD	\$2,951,800	\$351,917	\$3,303,717	\$270,442	\$3,574,159	32
Justice Health	\$0	\$0	\$0	\$0	\$0	0
Mid North Coast LHD	\$904,600	\$654,500	\$1,559,100	\$0	\$1,559,100	12
Murrumbidgee LHD	\$1,518,200	\$88,628	\$1,606,828	\$0	\$1,606,828	7
Nepean Blue Mountains LHD	\$2,818,600	\$89,540	\$2,908,140	\$173,000	\$3,081,140	19
Northern NSW LHD	\$1,182,000	\$2,610,730	\$3,792,730	\$470,900	\$4,263,630	30
Northern Sydney LHD	\$6,653,200	\$1,400,155	\$8,053,355	\$805,800	\$8,859,155	32
NSW Ambulance Service	\$756,600	\$187,836	\$944,436	\$0	\$944,436	2
South Eastern Sydney LHD	\$12,776,200	\$0	\$12,776,200	\$1,068,045	\$13,844,245	64
South Western Sydney LHD	\$7,622,999	\$0	\$7,622,999	\$86,384	\$7,709,383	33
Sydney Children's Hospital Network	\$364,400	\$0	\$364,400	\$0	\$364,400	1
Sydney LHD	\$15,448,900	\$109,900	\$15,558,800	\$7,978,433	\$23,537,233	64
Western NSW LHD	\$1,787,700	\$0	\$1,787,700	\$63,769	\$1,851,469	14
Western Sydney LHD	\$7,157,100	\$0	\$7,157,100	\$1,254,630	\$8,411,730	50
<b>Total NGO funding – NSW Health LHDs</b>	<b>\$71,644,999</b>	<b>\$7,103,235</b>	<b>\$78,748,234</b>	<b>\$12,637,042</b>	<b>\$91,385,276</b>	<b>456</b>

In terms of funding per Program or sector, the outcomes of an analysis of the information provided by NSW Ministry of Health Branches and NSW LHDs regarding the type of service for which the funding has been allocated appears at Table 5.

The largest Program area is mental health, with just over 38% of the total NGO funding allocated to this area involving around 174 individual grants, the majority of which are managed by the NSW Ministry of Health Mental Health and Drug and Alcohol Office (MHDAO).

**TABLE 5: Funding Analysis Breakdown – Program Area**

Program Area	MOH branches	LHDs	TOTALS BY PROGRAM AREA	
			\$value	# grants
Aboriginal Health	\$10,278,864	\$1,390,630	\$11,669,494	93
Aged & Palliative care	\$200,000	\$12,481,811	\$12,681,811	62
AIDS, Infectious Disease & Sexual Health	\$18,891,497	\$4,194,809	\$23,086,306	66
Chronic care (including homelessness & transport)	\$8,179,755	\$8,817,741	\$16,997,496	91
Drug & Alcohol	\$11,852,742	\$22,538,588	\$34,391,330	162
Kids & Families (including women's health, men's health, children & young people's health, maternal health)	\$1,706,530	\$25,583,080	\$27,289,610	89
Mental Health (including counselling - phone & face to face)	\$66,976,995	\$15,402,217	\$82,379,212	174
Multicultural & Refugees	\$0	\$75,700	\$75,700	5
Oral Health	\$5,290,200	\$281,900	\$5,572,100	22
Other - Peaks	\$568,000	\$0	\$568,000	4
Other - Quality Improvement	\$205,000	\$294,500	\$499,500	8
Other - Volunteering	\$179,900	\$324,300	\$504,200	3
<b>Total NGO Funding – Program Area</b>	<b>\$124,329,483</b>	<b>\$91,385,276</b>	<b>\$215,714,759</b>	<b>779</b>

## Resourcing for management of NGO funding

The NSW Ministry of Health will manage close to \$125 million in funding for NGOs in the 2012/13 financial year. As at the date of this report, management of this funding will be split between seven branches:

- Centre for Aboriginal Health
- Centre for Population Health
- Inter-government and Funding Strategies & Integrated Care
- Maternity, Children & Young People
- Mental Health & Drug and Alcohol
- Centre for Oral Health Strategy
- Workforce Planning & Development

NSW Health LHDs will manage \$91.5 million in funding for NGOs in 2012/13, spread across seventeen of the eighteen LHDs. [Southern LHD does not support any NGO funding Programs].

To support and oversee the administration of their NGO Program, most LHDs have NGO Coordinators who play a key role in managing the administration of funds and liaising with NGOs. However, the number of staff dedicated to this role is negligible when compared to the total number of staff for each LHD.

Local Health District (LHD)	FTEs in total	FTEs working on NGO grants/funding
Central Coast LHD	4,272	1.07
Far West LHD	604	0.42
Health Support Services	N/A	N/A
Hunter New England LHD	10,475	1.4
Illawarra Shoalhaven LHD	4,815	1.5
Justice Health	N/A	N/A
Mid North Coast LHD	2,843	1.5
Murrumbidgee LHD	2,648	0.1
Nepean Blue Mountains LHD	3,587	Less than 1
Northern NSW LHD	6,637	1.5
Northern Sydney LHD	8,095	1.07
NSW Ambulance Service	N/A	N/A
South Eastern Sydney LHD	10,681	1.6
South Western Sydney LHD	8,452	1.05
Sydney Children's Hospital Network	N/A	N/A
Sydney LHD	8,614	0.96
Western NSW LHD	4,785	0.42
Western Sydney LHD	8,280	0.65
<b>Totals</b>	<b>84,824</b>	<b>Fewer than 13</b>

As noted in the Ministry NSW Health NGO Program Review led by former Deputy Director-General Dr Richard Matthews, resources to support the NGO sector need to be increased, including strengthening and standardising the role of NGO coordinators and ensuring that appropriate hours are allocated to achieve required outcomes.

Grant administration by both NSW Ministry of Health branches and LHDs involves:

- establishing the funding agreement and associated Key Performance Indicators (KPIs) or measures that will be used to assess the delivery of the service for which the funding is provided
- monitoring performance of the agreement/delivery of the service against the funding agreement
- reviewing the reports submitted by the NGO in relation to performance of the agreement/delivery of the service and maintains regular contact with the NGO
- organising payment of the NGO in accordance with the funding agreement.

Management of these processes in isolation rather than as part of a centralised, consistent system raises a number of issues, including:

*Duplication of effort* – in terms of both the service for which the grant is provided (is there something already in existence established by another team, branch or unit in NSW Health) and the unit that is managing it (is there already another team or teams managing a similar grant).



*Lack of appropriate skills within policy teams* – the tasks associated with managing a grant are carried out by individuals that are highly skilled and experienced in policy, but generally may not have a contract management, monitoring and evaluation, accounting or finance background, and training or education in these areas is not readily accessible or offered to NSW Health staff.

*Inadequate sharing of information* – the outcomes of each grant, or the learning as a result of the grant, often stay within the team, branch or unit in NSW Health responsible for its management, restricting the capacity of the health system in general to benefit.

*Inconsistent grant management practices* – each team, branch or unit in NSW Health takes its own independent approach to management of grants, leading to inconsistency around areas such as establishment of KPIs, reporting, feedback etc.

Nonetheless, the Taskforce acknowledges the skill and dedication of many staff in terms of their efforts to manage the NGO Grants Program and recognises the considerable expertise which has been built up in some areas.

## Sponsorship arrangements

In addition to grants approved under the NGO Ministerially Approved Grants Program, NSW Health makes what are called “Other Grants”. Figures from the 2012/13 database available to the Taskforce specified as “Other Funding” does not support proper analysis. However, published figures for 2011/12 for “Other Grants”, totalling some \$ 96,225,818, indicate that these grants numbered 110 and ranged in size from as little as \$600 up to in excess of \$10 million, and included payments directly to numerous NGOs for either core funding or specific projects.

The range of activities supported included major medical research projects; teaching projects; sporting and cultural events; drug treatment referral programs; capital works expenditure (including property acquisition); information, communication and technology (ICT) projects and payments to other State and Commonwealth Departments for shared projects or to Universities.

The Taskforce has not had the time or resources to review these “other grants” from the 2011/12 funding period, nor to give a proper assessment of how they supported the stated priorities of NSW Health. We do however note that the relevant policy directives were issued some time ago: *Ad Hoc Requests for Funding – Organisations External to NSW Health* in May 1998 and *Sponsorships Policy* in December 2004.

The Taskforce believes that a comprehensive review of these Policy Directives should be undertaken and that assessments for continued funding of “other grants” should be aligned directly with the priority needs of NSW Health as they exist today.

## Data collection

Centralised data collection is not currently a feature of the NGO Grant Program. While the LHDs and Ministry of Health (MOH) branches submit appropriate financial information about grants to the Finance branch, the current accounting system is not set up to enable the extraction of data to support planning or the provision of accurate and meaningful data to the Minister or the Director-General.

The data that forms the basis for this chapter was collected through a laborious process involving the population and submission of data by each individual LHD and branch (or unit) of the NSW MOH who have allocated funding to NGOs for the 2012/13 financial year; follow-up and liaison with relevant individuals to ensure receipt of information; and comparison/reconciliation of figures and data with data from the MOH Finance branch.

This process of data collection raises critical issues for NSW Health, not only in terms of the reliability of the data but also the person-hours required to manually collect, analyse and manipulate the data in order to produce robust information that will support policy, planning and funding decisions.

## Recommendations

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 6	That adequate resources/hours are allocated at an LHD level to manage local funding for NGOs.
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 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.

## 5. Defining the program – the principles

It is actually somewhat misleading to refer to an NGO “Program” or a grants “Program” when nothing quite so structured and coherent exists. What does exist is a series of funding and support arrangements which have developed over a long period of time and in response to a variety of needs and circumstances.

These circumstances include factors such as:

- decisions taken from time to time, by State or Commonwealth Governments or Ministers either as a matter of deliberate policy, or in response to representations from organised groups or individuals or because addressing a particular (especially emerging) problem/issue was seen as necessary and desirable
- the continuation of many current programs which may be described as “legacy” programs in that they have been in existence and funded for many years (or even decades) with or without regular reviews of their ongoing necessity and relevance
- new health issues presenting, such as the emergence of HIV/AIDS
- new approaches to health problems, such as the Needle and Syringe Program
- some gaps where there were no suitable government agencies in place
- the result of policy decisions generated outside the Ministry of Health such as those where the initiative arose from another State Government Agency or from the Commonwealth Government and NSW Health became a subsequent partner in the funding and support of an NGO-based/delivered service.

In addition there needs to be recognition that there are some services (legacy services) which have been funded for (sometimes) a considerable period of time which became funded services as a result of policy or political decisions made in particular times and circumstances. Whether these services continue to provide value for money or whether they support the priority agenda of NSW Health today is often a moot matter, as is their capacity to withstand robust evaluation or testing on the basis of an evidence-based approach.

If our recommendations are accepted and future funding is more closely aligned to current and future identified priorities, support for many of these organisations may no longer be justified. In such cases they should either be defunded (with appropriate transitional arrangements to remove them from the NGO Program) or given the opportunity to realign their services to current priorities and reapply for funding on that basis.

For a variety of reasons (including political) they may prove difficult to defund but their continued funding not only fails the tests of being patient-centred, evidence based and in line with current NSW Health priorities but also potentially deprives more deserving services of the funding they might otherwise be receiving.

The Taskforce recognises that it will take some courage to address such issues, but unless courageous decisions are taken there will continue to be unnecessary injustices in the funding system and in the long run it is patients/clients who will suffer.

There is also an almost infinite variety of funded organisations. Some have fewer than one full-time equivalent employee, some have more than 100. Some grants are relatively small (less than \$20,000) while others may exceed \$10 million. Some organisations receive only one grant, others may be in receipt of up to a dozen. For some organisations, funding from NSW Health may constitute well under 10% of their total income while for others that figure could be 100%. Some organisations provide services across the whole of New South Wales while others may serve only a very limited geographic area. Some serve a very distinct and limited group of clients, others provide services to the general population.

Despite this diversity, there is very little recognition of that in terms of the interactions between the recipient organisation and NSW Health. Almost all recipients of grants are treated equally, regardless of their size, function, employment numbers, client basis, historic performance or geographic location. Almost all of them are subject to the same level of scrutiny, reporting requirements and accountability. There appears to be no minimum level in relation to accountability mechanisms, only a maximum level.

The Taskforce does not believe that this is desirable, and the fact that it is the historic status quo is no argument for its continuance.

In essence, three key questions must be addressed:

1. What is to be funded through or in partnership with the NGO sector?
2. Who is to provide that funding?
3. How is that funding to be accounted for?

## The “What?” of funding

Reform in this area must start with a clear definition of what NSW Health wants in terms of an NGO Program. Although this is something of a philosophical question, it need not be regarded as a difficult one and indeed a good model for this may be found in the Department of Family and Community Services document *Community Services Funding Policy* (November 2011).

Key elements for NSW Health should include:

- Finding a way to maximise the reach of health services to those members of the NSW community in need of them
- Seeking to ensure that where this goal can best be achieved with the NGO sector, suitable arrangements should be entered into between NSW Health and any service provider which:
  - Is fair and equitable to both parties
  - Provides value for money to the NSW taxpayer

- Delivers services to targeted populations in an equitable, non-discriminatory, timely and high quality fashion
- Has measurable outcomes related to clients
- Ensures transparency and accountability between both parties
- Is subject to evaluation and review at regular intervals and continuation only where justified on the basis of agreed upon outcomes.

Setting out what is expected of an NGO Program and the LHDs in relation to the NGO Program will allow a coherent approach to determination about what sort of funding models are appropriate and how relationships between the NGO sector and NSW Health are established and maintained.

The Taskforce has already recommended that NSW Health make a clear statement of the value which it places on the NGO sector, both as a partner in the delivery of health services, but also in recognition of its contribution to building social capital. That statement is the concomitant of a clearer definition of the NGO Program objectives.

## The “Who?” of funding

Once a Program objective is established it is important to recognise how that relates to the critical elements of decision making about the provision of support.

In our Westminster system of government, ultimate responsibility for the policy decisions of the NSW health sector lie with the Minister. It is the Minister who makes final decisions about policy matters and who, in association with Cabinet colleagues determines the financial allocation to the NSW Health system. The responsibility for implementation of policy and the administration of the Ministry and other components of NSW Health lie with the Director-General.

Under the devolved model of NSW Health, a significant degree of responsibility is vested in the Boards of the Local Health Districts (LHDs)/Speciality Health Networks (SDNs). They now possess a far greater degree of budgetary control and autonomy than previously. Their Boards are responsible for local policy matters and implementation/administrative responsibility is vested in their Chief Executives. LHDs are also, importantly, responsible for the health of their populations under the *Health Services Act*.

In addition to the Minister, Ministry and LHDs/SHNs, there are now five “pillar” organisations (Clinical Excellence Commission, Bureau of Health information, Health Education and Training Institute, Agency for Clinical Innovation, NSW Kids and Families).

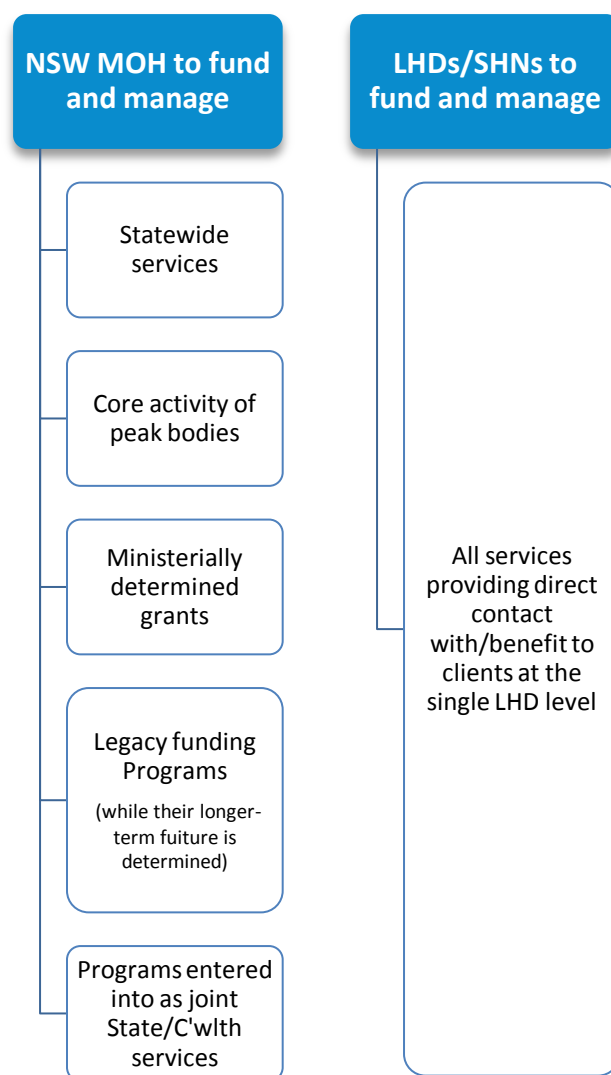
Relationships between any/all of these pillars with the NGO sector are only gradually being established and exist at various levels of maturity. The Taskforce however foresees a time in which these may develop into more meaningful and robust relationships and sees this as something which should be encouraged.

In relation to the NGO sector this means that funding may be derived from either:

- The Minister directly
- The Ministry of Health
- Local Health Districts/Speciality Health Networks.

The allocation of funding responsibility between these three elements is critical for any further reform of the NGO Program.

The Taskforce proposes that the allocation of funding responsibility between the Ministry and the LHDs/SHNs be on the following basis:



The Taskforce believes that this is a proper allocation of responsibilities in that it reserves to the Ministry the higher level of state-wide services and matters involving third parties (such as NGO Peak organisations, existing state-wide services or the Commonwealth) as well as charging it with responsibility to manage and re-evaluate legacy services.

On the other hand placing responsibility for all direct client-related services with the LHDs/SHNs (recognising that at present LHDs may fund more than just direct client-related services) is both consonant with the policy imperative of devolution and with the maximisation of local decision making and responsiveness.

In reserving the policy making and funding decisions in relation to state-wide services to the Ministry, the Taskforce still envisages that the administrative responsibility for oversight of some of these services might be devolved to the LHDs. There are already examples where the LHDs act almost exclusively as just a “post box”, passing through money allocated by the Ministry but with responsibility for local liaison and reporting activities. Where appropriate such arrangements should be continued or established.

The key issue in defining state-wide services is the extent of their geographic reach rather than the exact nature of the service itself. The Taskforce does not exclude anything from the definition of state-wide (including clinical services) that are provided across the whole of NSW – or at the very least are accessible from anywhere in the State.

On the other hand reserving all services providing direct contact with/benefit to clients in areas that are not state-wide services to LHDs/SHNs strengthens their role within the program.

At [APPENDIX 6](#) the Taskforce has made some suggestions about the areas of activity in NSW Health which it believes could be considered for possible delivery through the NGO sector. The list provided is indicative only and in need of further consideration and refinement.

## The “How?” of funding

It will be vital to specify how decisions are made about programs/services to be transferred and the criteria on which those decisions are to be based.

There are a range of options for this, including through Ministry formal directions or initiatives; discussions at the NSW Health Senior Executive Forum; initiatives promoted by individual LHD Chief Executives or consortia of LHD Chief Executives; through cross LHD NGO sector Program meetings and other mechanisms.

There will need to be consideration of the basis for prioritising the transfer of services, including financial considerations and strategic opportunities. However, at all times, such decisions should be made on the basis of an assessment as to what will maximised patient/client outcomes and what is most consonant with achieving the priorities identified by NSW Health. The guiding principles which should be clearly and publicly articulated relate to patient/client-outcome and not to financial considerations or administrative convenience.

Once it has been determined what programs/activities are to be funded and who is to assume the primary responsibility for that funding, there is then a significant number of options by which that funding can be allocated or made available.

Funding options available include:

- Direct grants made to specific organisations at Ministerial discretion
- The simple continuation of legacy services/arrangements
- The offering of services to a preferred provider or number of preferred providers – either directly or via an Expression of Interest process
- The establishment of consortia to undertake offered services
- The allocation of services by way of open competitive/contestable tendering.

All available literature/evidence in relation to the variety of funding options makes it abundantly clear that a “one model fits all” approach is unsustainable and unworkable. It is a matter of “horses for courses”.

In any use of a preferred provider(s) model there must be complete transparency on the part of NSW Health in establishing and publishing the criteria upon which preferred providers will be decided. There are already clear guidelines in NSW Health policies related to procurement and related matters so it is not necessary for the Taskforce to do other than note that the NGO sector will only accept the use of preferred provider arrangements if those are seen to be fair, equitable, evidence-based and transparent.

Obviously in certain areas preferred providers will also need to be those which are genuinely acceptable in culturally specific situations.

The correct approach is to make the first determination – what services the Ministry wants to place in the hands of the NGO sector - then determine who will be responsible for the allocation of funding and management of service agreements?

Once these questions are resolved, determining which NGO to award the contract for service delivery must address the following criteria:

- Patient-centeredness, efficiency and cost effectiveness of NGO
- Evidence based approach
- Client group to be served directly (including demographic and geographical issues), together with the interests of their families and carers
- Size and complexity of the service on offer
- Capacity and proved track records of NGOs within the sector
- Accountability mechanisms of NGOs to ensure the population health responsibilities of LHDs are addressed by the delivering organisations, including agreement about attendance at LHD designated program planning and co-ordination meetings and participation in other relevant activities and processes
- Relevant historical or legacy issues.



The Taskforce believes that approaching the NGO Program in a more holistic and integrated fashion, rather than the traditional piecemeal, one funded organisation at a time approach will reap long term system-wide benefits. The removal of a silo mentality and a silo approach to funding is desirable. NGOs should be seen not merely as individual organisations but as part of a far broader continuum of support services working with NSW Health.

### Collective Impact

“Large-scale social change requires broad cross-sector coordination, yet the social sector remains focused on the isolated intervention of individual organisations ..... the non-profit sector most frequently operates using an approach called isolated impact. It is an approach oriented towards finding and funding a solution embodied within a single organisation, combined with a hope that the most effective organisations will grow or replicate to extend their impact more widely ..... collective impact initiatives depend on a diverse group of stakeholders working together, not by requiring that all participants do the same thing, but by encouraging each participant to undertake the specific set of activities at which it excels in a way that supports and is coordinated with the actions of others.”

*John Kania and Mark Kramer : Collective Impact (Stanford Social Innovation Review, Winter 2011)*

The above statement is a good start for the reorganisation of disparate single organisations providing a similar service into an integrated system of linked up service provision. For example, the women’s and children’s, drug and alcohol, rehabilitation services across the State could be amalgamated into a single service interlinked delivery system.

### Recommendations

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 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.

## 6. Implementing the program – the practice

The Taskforce proposes that a new approach be taken to the management of NGO funding along the lines herein set out.

In making these recommendations the Taskforce excludes those decisions taken directly by the Minister which must, of necessity, remain entirely at the Minister's discretion and prerogative. However we do believe that NGOs or program funded at the direction of the Minister should be subject to all the same terms and conditions of contracts (see below) as any other funded organisation with no exception.

### Stage One: Budget Allocation

NSW Health receives its budget from the Treasury after determination by Cabinet. Forward budget allocations allow NSW some flexibility in committing to programs which extend beyond one budgetary year/cycle. Once an overall budget for NSW Health is received, allocation should be made to the NGO Program. The Taskforce recognises that in current circumstances the NGO budget is subject to the same discipline and savings requirements any other part of the health budget and is not seeking to make a case for exception in this regard.

### Stage Two: Determining Needs and Priorities

Within the available budget NSW Health must make a series of decisions about what should be funded in the NGO sector in terms of the needs of the NSW population and in terms of those areas of greatest priority. Primary responsibility for this lies with the Director-General and the Ministry. The Taskforce believes that in relation to these decisions the Director-General should be advised by the NGO Advisory Committee (see Chapter 8). The Taskforce would expect that in making these determinations the Director-General, as well as being directed by government policy would have regard to the important principles set out in the Ottawa Charter for Health Promotion (1986) and the Jakarta Declaration on Leading Health Promotion into the 21st Century (1997).

The Taskforce has had put to it that the NGO sector is capable of delivering, and indeed should be funded to deliver "all health services not requiring a hospital bed". While not necessarily embracing that position completely, the Taskforce is strongly of the opinion that the default position in relation to the provision of non-hospital based services (and some non-bed requiring hospital services) should be to find ways for these to be managed and delivered in the NGO sector.

The role of the Ministry should be to define the programs and the priorities which it is prepared to fund to improve the health status of the people of NSW and then look for the most patient-centred, efficient and cost-effective method of service delivery. These decisions about priority must also be related to decisions made in relation to population health matters and must be properly inter-related to avoid the creation of further silos of activity.

In indicating a preference for delivery within the NGO sector itself, the Taskforce also recognises that in some instances, delivery by the LHDs/SHNs, either individually or in some cooperative arrangement will often prove the best option to meet the three criteria just outlined.

### Stage Three: Determining Programs

The Taskforce advocates that all NGO grants be categorised into one of 9 Program areas:



\*includes Disability and all condition-specific grants

Each program area should have a specific Ministry appointed program Manager in order to provide an oversight of the entire program and to ensure coordination and cooperation within the Program. These program Managers should be seen as significant leaders of the whole NGO Program and as change/reform agents. Much of the success or otherwise of any new system will depend upon their skills, abilities and commitment.

The Taskforce regards clinical services, counselling and preventive health measures as constituting activities, not Programs in themselves. They should be an integral part of all Programs.

It would be useful were these nine areas to be used more broadly as the basis for policy/program coordination across the whole of NSW Health, however this is not a matter on which we are competent to advise in detail. The Taskforce appreciates that program areas already exist as part of the structure of NSW Health but sees this as an opportunity for their redefinition and refinement among more coherent (rather than historic) lines as in a way in which they can then be used as a basis for NGO related activities.

## Transport

The Taskforce has given specific consideration to the funding of patient transport services. It understands that there are at least two reviews of aspects of health transport underway – one in relation to the Royal Flying Doctor/Air Ambulance service(s) and the other in relation to Non-Emergency Patient Transport. At this stage the Taskforce has not had the benefit of the recommendations from those reviews, although consultations have been held with both.

The provision of patient transport services is a vital part of the health sector and a vital component of providing effective health services and outcomes. It is clearly the responsibility of NSW Health to fund such services. The Taskforce is of the opinion that it is the primary role of NSW Health to map the transport needs of the health sector and its clients and establish the real costs of providing such services, but that transport services per se should not be funded as part of the NGO Program. The question of whether they are funded directly from within NSW Health at all, or via some other agency, is a policy matter well beyond our remit to consider. We would however stress that any change made in such arrangements should be phased in over time in a way that ensures both continuity of service provision and continuity of funding.

## Stage Four: Aligning Programs with “Peaks”/ State-wide Services

### Who or what are “peaks” or state-wide services?

The Taskforce believes that peak organisations (however defined) or state-wide services play a vital role in the NGO sector and that this role should be supported more constructively by NSW Health. This is a highly complex issue and there are many areas in which an overlapping of roles occurs. Both peaks and state-wide services can be engaged in providing services to their members or associated organisations and in representational activity. Their direct relationship with clients as consumers varies from almost none to quite extensive. Nevertheless they are distinct from each other and should not be seen as simply alternatives.

There are many ways to define “peak” organisations / state-wide services, but it is not the definition, but rather the capacity to deliver support and services which should be of concern to NSW Health. The (then) Industries Commission in its 1995 report *Charitable Organisations in Australia* identified the key roles for any peak organisation:

- Information dissemination
- Member support (which the Taskforce would define as including capacity building, workforce support, data management and performance reporting and service planning, human resources and industrial relations; information technology, finance, performance reporting, data management and reporting, evidenced based service planning, OH&S, quality improvement, accreditation and risk management)<sup>1</sup>
- Coordination

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<sup>1</sup> It should be noted that in the past the Ministry has provided direct support for NGO capacity building and has assisted NGOs to achieve levels of formal accreditation. This is in addition to funding for such purposes being provided to peak organisations.

- Advocacy and representation
- Research and policy development.

Where these roles are played by any appropriate organisation it should be regarded as, in effect, a lead agency in relation to the sector(s) in which it is operational. Not all peak organisations operate state-wide, although by definition state-wide services do. Not all state-wide services would claim to be peak agencies in their respective sectors.

The Taskforce has previously cautioned against a “one -model -fits -all” approach and has advocated a “horses for courses” approach. The same principles should guide NSW Health in determining with which organisation(s) it should be partnering in relation to any particular program/service and the precise nature of that partnership.

### *What is their role?*

An earlier paper developed by a committee of Human Services CEOs and community representatives in 2007/8 similarly defined the role of peak bodies as:

- Capacity building contributing to sector development
- Consultation
- Demonstrating leadership and innovation
- Policy development and advocacy
- Research
- Promoting partnerships and cooperation
- Provision of advice and information.

In our consultation with numerous NGOs, access to advice from peaks in relation to matters such as human resources management, industrial awards and law, information and communication technology support and policy advocacy figured as particular concerns.

At present within NSW there are a number of well recognised and established peak organisations working within the health sector, some of which can be characterised as “sector” peaks in that they span the whole range of activities within a sector (including service delivery), whereas others are more akin to “client” peaks who give a collective voice to individual members.

They range from organisations such as Council of Social Service of NSW (NCOSS), peak (of some 600 members, of which over 500 are organisations) which is a relatively large organisation whose remit extends across virtually all aspects of human services policy and delivery, to Family Planning NSW which operates as a sector peak, to organisations such as the Aboriginal Health and Medical Research Council which covers a complete range of services for Aboriginal people and the AIDS Council of NSW (ACON) which provides umbrella services related to a disease-specific focus.

There are also a number of recognised program related peaks, the MHCC, NADA and Women’s Health NSW who provide the above mentioned peak organisation roles to their member

organisations. NADA has developed a strategic program of drug and alcohol NGO member services covering the key objectives of government for these services – information dissemination, workforce development, data management and reporting, service level performance reporting, evidence based service planning and support for quality improvement and accreditation. This model has been articulated in a comprehensive agreement with the Mental Health and Drug and Alcohol Office and funded at the appropriate level by the Minister. The Taskforce believes this serves as a good model for peak organisations representing a program area in the NGO program.

At the other end of the spectrum there are some peak organisations which have exceptionally small budgets and employ very few people but which play an important role in policy and advocacy matters.

The Taskforce appreciates that there are some NGOs which might feel “orphaned” in the sense that they do not immediately recognise an attachment to any program or policy area or to any existing peak organisation. However given the importance that the Taskforce places on establishing and using NGO/peak links, there is perhaps a role for the Ministry (perhaps through the combined efforts of the NGO Unit and the NGO Advisory Committee) to try and identify possible linkages and foster their development.

The relationship between a peak organisation/state-wide service and their clients on the one hand and NSW Health on the other is different. In terms of relationships with members, where a peak is a member-based organisation, or in terms of other NGOs with whom a state-wide service might work, the relationship is one of support and advice or co-ordination (depending on the program) as outlined above. In terms of relationship with NSW Health it is one of service provision on the basis of a contract and a set of accountability criteria.

In essence NGOs peaks/ state-wide services should be funded by NSW Health in order to facilitate the strengthening of the NGO sector and help it with capacity building and service delivery.

### *How should NSW Health relate to them?*

The Taskforce believes that the importance of the peak organisations is sufficient that their core funding to undertake the roles outlined in the Industry Commission Report should be provided directly by the Ministry and that in this respect they should be assessed for funding on the basis of their provision of services to support their members or others NGOs in the delivery of such services as NSW Health wishes to contract with them. The Taskforce believes that in relation to each of the nine programs outlined above, NSW Health should designate at least one peak organisation/ state-wide service with whom it will work as the primary coordinator of policy and funding across the Program. This would establish a “preferred partner” model akin to the preferred provider model which we have discussed elsewhere. As stated above, the NADA model of NGO support services is one appropriate model.

In some instances it may be appropriate for the program as a whole to be contracted out to the peak organisation for it to run and manage on behalf of NSW Health, with service delivery through its member agencies. This is a matter suitable for further examination and consideration.

## Backbone Support Organisations

“Creating and managing collective impact requires a separate organisation and staff with a very specific set of skills to serve as the backbone for the entire initiative. Coordination takes time, and none of the participating organisations has any to spare. The expectation that collaboration can occur without a supporting infrastructure is one of the most frequent reasons why it fails. The backbone organisation requires a dedicated staff separate from the participating organisations who can plan, manage, and support the initiative through ongoing facilitation, technology and communications support, data collection and reporting, and handling the myriad logistical and administrative details needed for the initiative to function smoothly....

*John Kania and Mark Kramer : Collective Impact (Stanford Social Innovation Review)*

## Stage Five: Selecting the Funding Model / Awarding the Contract

In Chapter 5 the Taskforce identified the variety of funding models which could be considered. These were:

- Direct grants (contracts) made to specific organisations at Ministerial discretion
- The simple continuation of legacy services/arrangements
- The offering of services to a preferred provider or number of preferred providers
- The establishment of consortia to undertake offered services
- The allocation of services by way of open competitive/contestable tendering.

The Taskforce does not intend to reinvent any wheels. The approach which should be adopted by NSW Health was spelt out in detail in the Matthews Report in 2010.

Its comments and recommendations remain valid and instructive and the Taskforce endorses and adopts them for the purposes of this review.

### Recommendation 1.2: Further develop NSW Health policies and procedures for NGO procurement processes

The Productivity Commission Research Report: *Contribution of the Not-for-Profit Sector* sets out specific recommendations relating to the procurement of NGO services by governments. The Commission outlined the need for agencies to review their procurement guidelines. The Report recommends that where competitive tendering is appropriate, it should be used. However this is not always appropriate – sometimes longer term contracting is appropriate (See Productivity Commission Research Report: *Contribution of the Not-for-Profit Sector* Recommendations 9.1, 9.2 and 12.1).

‘While the Commission agrees there is considerable potential for governments to improve the design and delivery of human services by working more collaboratively with service providers, it is important to clarify that it is not advocating any wholesale move away from market-based service delivery models. An ongoing need in the community for a particular service does not of itself justify adopting a non-market service delivery arrangement. ....The determining factor is the degree to which the appropriate policy response is largely unknown or requires a degree of flexibility not suited to a

standard contracting arrangement. In many human service areas, there is a broad community consensus about the types of services needed and a range of possible providers (including in some cases for-profit organisations). Where the markets for these services are genuinely contestable, purchase of service contracting remains the preferred approach. However ... even where a market-based approach is appropriate, governments can still use the tools of relational governance to improve contracting relationships and the efficiency and effectiveness of service delivery outcomes.' (Productivity Commission Research Report: *Contribution of the Not-for-Profit Sector 2010* p 328).

For NSW Health and other NSW Government agencies, competitive tendering approaches for procurement of health services are the preferred approach. Indeed this is the approach often taken by Australian Government agencies. From the feedback received from NGO and NSW Health stakeholders, there was broad support for the approach taken by the Productivity Commission..... Circumstances however, may exist where a competitive approach to procurement is not appropriate. Decisions to utilise competitive tender approaches should be determined on a case by case basis depending on the nature of the program, the assessed risk of the program/service provider, the length of the funding and its value. Reasons for not undertaking a competitive procurement approach could include:

- There is no competition in the market for a particular service. For example, there is only one service provider of a specialised service
- NSW Health has awarded a contract for a similar service through a competitive process within the previous 12 months and there is a reasonable expectation that the market has not changed
- A particular service must be integrated with existing services and an existing contractual arrangement is already in place for these services
- There is not sufficient time to purchase a service through a competitive process in order to address an emergency situation
- NSW Health has an opportunity to purchase services from a service provider from a disadvantaged community for which health funds are targeted and for the benefit of the disadvantaged community
- A particular service provider has unique access to a disadvantage community for which health funds are targeted
- There is a significant risk that local health networks will be lost or the development of a longer term relationship with a particular service provider will assist in building capacity within the NGO sector for the benefit of the entire community.

*NSW Health: NSW Health NGO Program Review Recommendations Report (July 2010)*

## Stage Six: The Contract

The Taskforce acknowledges that there are a variety of ways in which contractual arrangements between NSW Health and the funded organisations are described: grants, contracts, ad hoc grants, service and funding agreements etc.

They are all however in essence contracts. One party contracts with another for payment of moneys on the basis of specific services to be purchased and delivered.

The Taskforce proposes that all such arrangements be designated as **contracts** and that this be the only term used.



If this recommendation is adopted, NSW Health will need to conduct a transitional program to migrate all otherwise designated grants etc into contract form and terminology and will need to educate and inform the sector about these changes.

In its consultations, no matter was more frequently the subject of criticism and complaint by the NGO sector than the burdensome nature of contracts and their associated reporting requirements. There is no doubt that this matter will be central to the current ICAC Inquiry and the Taskforce repeats its concerns that the outcome of the investigation should not be to make this even more burdensome for the NGO sector than it is at present.

Obviously contracts need to have certain minimum conditions so ensure both that public money is being spent properly/lawfully, that there is adequate control and supervision of services and that agreed outcomes are being met. That said, there is much that can and should be revised in present operations.

### *Pre-contractual considerations*

Before any contract is signed or renewed, the funding source in NSW Health needs to establish a number of matters:

- That there is a valid reason for the contract being issued – namely that the service being contracted is genuinely required and has sufficient priority to be awarded. Legacy and historical practice/arrangements are not a reason
- That the proposed contracting party is competent to undertake responsibility for the delivery of the service in question. This requires the NSW Health funder to be satisfied as to the bona fides of the organisation, the probity of its governance and operations and its delivery skills
- Where appropriate any funding recipient should be accredited according to minimum standards laid down by NSW Health. In instances where larger sums of money are involved some form of formal accreditation may be required and NSW Health should provide some guidance to the NGO sector about its requirements in this regard
- Where a tendering process is used, the preference should be for any tender document to be as short and simple as possible and that it should be capable of being lodged on-line
- Adequate time should be given for tenders to be submitted so as not to disadvantage the smaller and less resourced NGOs which may want to submit bids to provide services or discourage the formation of consortia which may take more time to organise
- If the contract is being awarded as the result of a specific Ministerial or Government policy decision, the contract should, to the fullest extent reflect all the terms and conditions otherwise imposed upon contracted parties.<sup>2</sup>

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<sup>2</sup> The Minister themselves cannot sign a contract. They may direct or approve of the making of a grant but the contract must be entered into with NSW Health. For the purposes of this Report the term "Ministerial grant" will be used when referring to such arrangements, otherwise we will use the term "contract" for all other agreements.

### **Terminating Contracts**

The Taskforce is surprised at just how few contracts ever seem to be terminated (regardless of performance) and the extent to which legacy funding has allowed organisations to be funded well past the point where they are providing value for money or meeting the Government’s continuing or newly developed priority needs in health.

Equally we note how few “new” entrants there have been into the ranks of funded organisations in the last few years. This lack of “new blood” is concerning. Restrictions on the growth of funding for the NGO sector, combined with an attitude which favours legacy funding without adequate examination of continuing relevancy to which is added a fear of defunding any organisation lest that create “political” difficulties and lead to representations to Ministers for evidence-based decisions to be overturned, has not served NSW Health well. The Taskforce hopes that by stressing the linkage of funding to the clearly established priority and regularly reviewed needs of NSW Health will serve to address this problem and open the funding opportunities to new and more relevant organisations over time.

Contracts should not be open ended. They should be subject to vigorous review and terminated when:

- Originally specified time periods have expired
- There has been a failure to deliver services as contracted
- It is mutually agreed to do so
- The Minister determines they should be terminated – following proper advice and considerations of procedural fairness
- When the service is no longer required or no longer a priority matter for NSW Health.

### **Contractual Provisions**

1. **Head Contracts:** Where an organisation is holding more than one contract with NSW Health these should be consolidated into a Head Agreement with any number of Schedules. Regardless of whether funding is received from one NSW Health source only, or from more than one, there should be only one set of reports/acquittals required
2. **Length of contracts:** From time to time short-term contracts are appropriate where NSW Health requires delivery of what might be characterised as one-off services or where a limited set of outcomes are prescribed. However in most instances funding is now provided on a three-year triennial arrangement. This is appropriate where policy considerations (including the issue of the continued relevance or priority of programs) indicate that programs may be reviewed and/or terminated. However it is increasingly likely that if larger scale services are undertaken in the NGO sector three years may not be entirely sufficient. The Taskforce recommends a scheme

whereby contracts are awarded initially on a three year basis but, that at an appropriate mid-point in the contract they are subject to an evaluation which, if positive, would allow the contract to be extended automatically at the end of the three years for a further period of two years. This 3+2 (or 3+3) model would be available only where there has been an evaluation which confirms both the need for the continuity of the service and the capacity of the organisation to continue providing it at an appropriate level. The benefits of such an extended contractual period accrue both to NSW Health in terms of continuity and reduced pressures for retendering or renewal but also allows the NGO provider to ensure greater continuity (and hopefully development of expertise) in relevant staff

3. **Real Costs of Services:** Contracts should be based upon an agreed real cost of services and it should be upon this basis that services are funded or purchased
4. **Plain English:** Contracts should be as brief as possible (consonant with legal requirements) and written in Plain English
5. **Accountability:** Contracts must be specific as to the accountability requirements for all parties and ensure that matters of probity, governance, financial management and adherence to ethical standards (e.g. compliance with anti-discrimination or privacy legislation, appropriate codes of conduct etc) are recognised and enforced
6. **Evaluation:** Contracts must specify how service evaluation is to be undertaken and where the responsibility for this activity rests. There will be differing requirements (even possibilities) for evaluations which should be program/service specific rather than generic. There must be both service delivery and program delivery level evaluation, with each organisation contributing to the process of evaluation but within a framework where the ultimate evaluation is external to that organisation
7. **Feedback:** Contracts are documents of mutuality, not one-sided requirements. They should specify arrangements for both sides to engage in mutual support and engagement and NSW Health must recognise its responsibility to keep the contracted party aware of its assessment of its progress or otherwise on a regular basis
8. **Advocacy:** Contracts should recognise that NGOs play an advocacy role, both for their clients and in policy more broadly. Contracts should not include any “gag” clauses or any implication that genuine advocacy or representational undertakings will potentially prejudice current or on-going funding
9. **Quality Improvement:** Continuous quality improvement is an important element in maintaining the quality of services provided to clients/patients. Any NGO contracted with NSW Health should have a program of quality improvement management as part of its submission for funding. The cost of such QIM initiatives should be taken into account when establishing the real cost of services for funding arrangements
10. **Data Collection:** Contracts should specify clearly what data is to be collected/reported by both parties. Where required NSW Health should make data available to its contractual partners in a timely and useful fashion. Contracted parties should provide relevant data to NSW Health on a similar basis. Great care should be taken to specify what data is to be collected ensuring that

necessary data is collected which is relevant to improving patient outcomes or overall health initiatives, but that no unnecessary and irrelevant data is collected just for its own sake. Data collection should be program/service specific and not just generic in nature

11. **Timely payment:** There were too many complaints from NGOs in our consultations that payments were often seriously in arrears, especially from the LHDs for this to be taken as other than a serious problem which may impact very negatively on NGOs, especially those which are smaller and with cash-flow issues to address. A feature of any contract must be that where a payment schedule is included it should be taken as part of the LHD/Ministry Service Agreement and adhered to so that failure to meet contractual obligations by LHDs should be reported to the Ministry as evidence of their non-performance. At present payments are generally made on a quarterly basis in advance. There may be some scope for extending this to six-monthly in those cases where NGOs have a proven record of sound financial management and administration, especially where extended contracts are involved.
12. **Single-source reporting:** as noted in (1) above contracted parties should be expected to lodge only one set of reporting documents which should be kept to a minimum for NSW Health to assess that (i) proper financial accountability has been maintained and (ii) program/service objectives are being met
13. **Key Performance Indicators:** the Taskforce believes that there are far too many KPIs which are measurable but meaningless being imposed in contracts. KPIs should be :
  - a. Kept to the minimum required for a proper evaluation of outcomes
  - b. Patient/client-focussed
  - c. Relevant to enhanced patient/client outcomes and useful for all stakeholders
  - d. Measurements of output/outcome and not simply activity
  - e. Standardised where possible to allow benchmarking across like-service provision
  - f. Subject to regular review and adjustment (if necessary during the life of the contract by mutual agreement)
  - g. Robust enough to withstand organisational changes which will inevitably occur during the lifetime of the contract.

In addition, there will be some instances in which KPIs should be developed which are culturally or linguistically specific and these should be settled in consultation with the relevant delivery organisations.

Finally we note that there are many circumstances in which the question of how services are delivered will be particularly relevant and we acknowledge that finding a measurable KPI to assess this is particularly difficult, but nevertheless important.

KPIs should be regarded as the basis upon which the performance of an NGO will be evaluated and used to determine matters of either the renewal or termination of contracts.

To this end by way of example in the drug and alcohol sector, NADA in conjunction with MHDAO and the drug and alcohol NGO sector has developed an outcomes based set of service and client level outcomes and KPI performance data for the NGO delivered service sector of the State's drug and alcohol program.

This performance information is based on the Results Based Accountability model of performance reporting and could easily be used as the baseline evaluation data for this part of the drug and alcohol program. It will also allow for overall comparison of performance levels of services providing drug and alcohol interventions to clients across the State.

Similar initiatives are underway involving the Aboriginal Health and Medical Research Council and should be encouraged more broadly.

### **Contract Management**

It is important to recognise that although NSW Health and any funded NGO will be working in partnership there will always remain differences in terms of their interests, focus and approaches, and while these should be minimised, they should equally be understood and respected.

In order to make any contract system work, those officers responsible for contract management must be properly trained, and although the Taskforce noted that some Program managers had received this training there were also some who had not. All contract managers in NSW Health must be provided with formal training and support while in the NGO sector itself, this should be a role played by the relevant peak organisation.

On the one hand it is undesirable that NSW Health (as the ultimate regulator) should try to emulate the practices of the NGO sector because its responsibilities to the public and as an arm of government impose certain disciplines and requirements upon it.

In particular it is the responsibility of NSW Health to ensure that health services are delivered equitably across NSW and that there is centralised planning and coordination of such services.

The Taskforce believes that there should be a properly resourced NGO Unit within the Ministry which has responsibility for the general oversight of the NGO Program, liaison with the Program Managers and which is able to advise LHDs/SHNs about matters relevant to the Program.

The NGO Unit should also be a source of advice about various matters such as contract writing and management, evaluation, and the development of meaningful KPIs.

"...regulatory bodies, like the people who comprise them, have a marked life cycle. In youth they are vigorous, aggressive, evangelistic, and even intolerant. Later they mellow, and in old age – after a matter of ten of fifteen years – they become, with some exceptions, either an arm of the industry they are regulating, or senile."

*J K Galbraith : The Great Crash 1929*

On the other hand there is a danger in expecting the NGO sector to act if it were a private sector imitation of the health bureaucracy ("isomorphism"). The NGO sector must maintain its unique

qualities and particular modus operandi in order to maintain respect and credibility with its clients and its commitment to representing the needs of the most marginalised communities.

However opportunities should be explored for greater interaction, especially at the personnel level between the two parties. Staff exchanges and secondments (a much more common feature of public administration in the United Kingdom and the United States) can be valuable in this regard.

During the course of its operations, the Taskforce noted that there was a short-term secondment into the Ministry's NGO Unit from a number of the peak organisations. This is an encouraging sign and something worth exploring further. The Taskforce appreciates that there are impediments to a widespread system of secondment or exchange (including questions of salary, confidentiality etc) but none that it believes cannot be overcome.

A frequent complaint on both sides was the extent of "churn" among amongst people involved in the administration of NGO contracts. It was not unusual to hear from NGOs that they had been forced to deal with half a dozen or more people in NSW Health over a relatively short period of time, while NSW Health officers often remarked that when a particular contact person left an NGO they seemed to take all the corporate memory with them and that relationships had to be re-established from scratch.

Some greater continuity of personnel on both sides seems highly desirable and at least within NSW Health this matter should be given some attention.

### **Electronic Features**

Where possible contact management should take place in an electronic environment. This matter was considered in depth in the Matthews Review and this Taskforce found it unnecessary to revisit the issue specifically as the Matthews recommendations remain valid and are endorsed by us.

#### **Recommendation 1.3: Implement a web based NGO application and management ICT system**

Stakeholders from both the NGO and NSW Health Sectors have, throughout the review consultation process, advocated for the implementation of a web based NGO Program management system aimed at improving communication and the NSW Health NGO administration processes. As noted in the *Discussion Paper*, a number of other government reviews on NGO grants administration have also recommended that government agencies implement web based technologies to gain grant administration efficiencies and improve communication pathways (Auditor-General of Queensland, 2007, NSW Auditor-General, 2009; Independent Pricing and Regulatory Tribunal, 2006).

It is proposed that the NSW Health NGO Program should consider implementing an NGO Administration and Management ICT system. The benefits in developing a web based ICT system would include:

- Information relating to the application and management of NGO grants would be stored and maintained in one place – that is a one stop shop for:
  - Funding applications and grant renewal processes
  - Reporting
  - Performance monitoring
- Simple and easy transfer of information and search functions for all information on the NSW Health NGO Program

- Ability to define and manage each grant Program, including controlling when applications can be made, what happens to them as they progress, and who is able to view and manage them
- Improved transparency and decision-making – the system should support the decision-making process of the organisation and record the approval process for the grants
- A communication portal that provides information on:
  - NGO funding rounds
  - NGO profile statistics and annual reports
  - NGO reporting requirements, guidelines, policies and procedures
  - Information relating to the NSW Health NGO Program
  - NGO forums and conferences

As part of the NSW NGO Red Tape Reduction initiative, NSW Health has agreed to introduce optional e-tendering for NGO grants. A web based NGO application and management ICT system would enable this undertaking.

*NSW Health: NSW Health NGO Program Review Recommendations Report (July 2010)*

### Value of Contracts

There is enormous variation in the value of contracts awarded by various parts of NSW Health. Some are as small as \$ 17,000 while others are in excess of \$ 10 million. It is clearly a waste of time for the Minister to have to sign-off on small grants which have previously been designated as “Ministerially approved”. It is the belief of the Taskforce that the Minister should be required to sign-off on only those grants which exceed \$ 1 million and that the Director-General should determine the sign-off arrangements to be put in place for all other grants, whether they are signed-off by the Director-General in person or a delegated officer (varying according to the amounts in question). If necessary changes in the Ministry’s Delegations Manual should be made to accommodate these proposals.

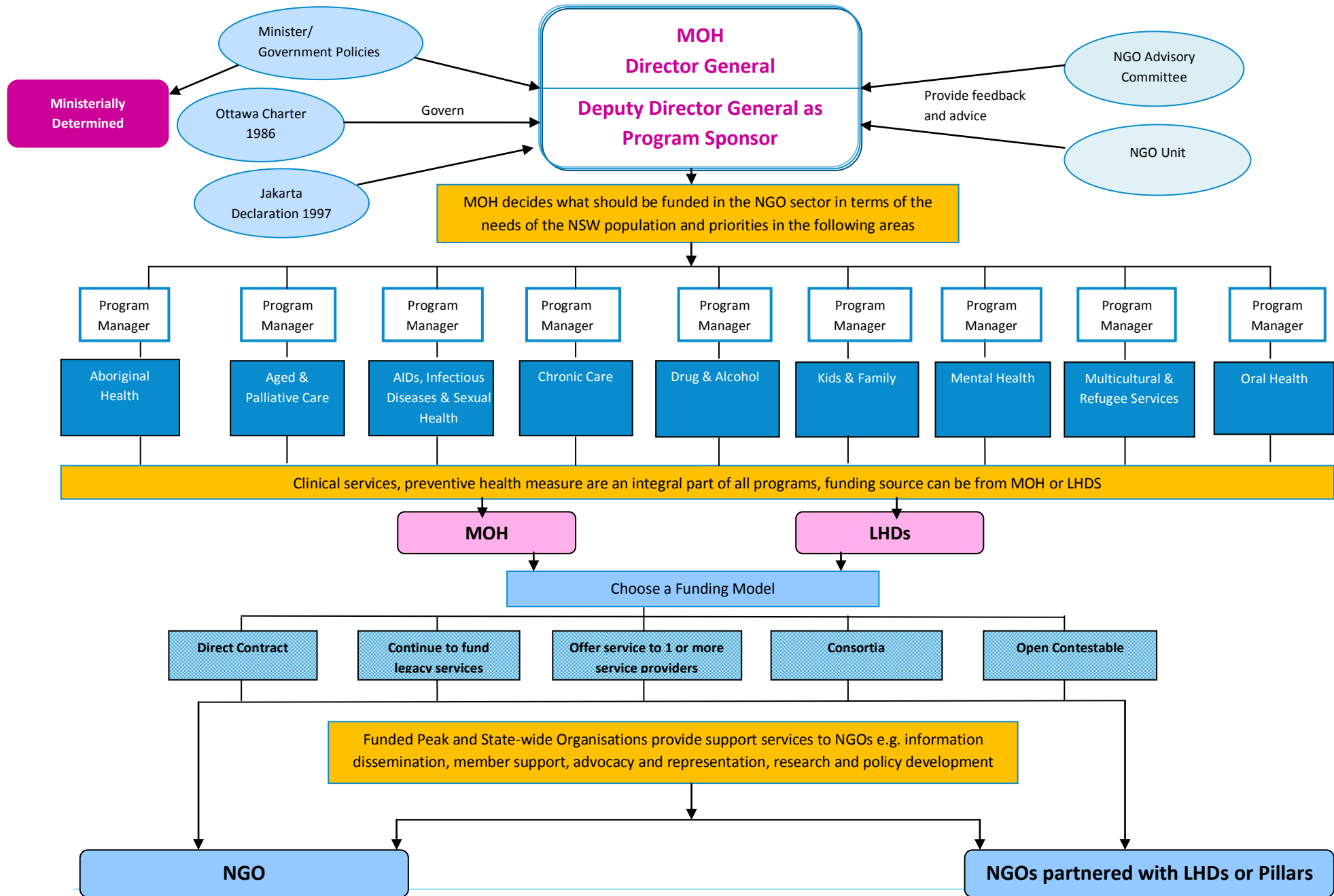
### Recommendations

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 14	That the Program Areas model outlined be adopted by NSW Health.
RECOMMENDATION 15	That Program Managers be appointed to head each NGO Program area.
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 17	That NSW Health designate a peak/state-wide organisation(s) to be associated with each program area.
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 20	That transport be excluded from funding under the NGO Program, while ensuring that health-related transport services are adequately funded from some other appropriate source.
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 23	That a properly resourced NGO Unit is permanently established within the Ministry that has responsibility for the general oversight of the NGO Program, liaison with the Program Managers and which is able to advise LHDs/SHNs about matters relevant to the Program.
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.
RECOMMENDATION 25	That NSW Health gives consideration to establishing a formal secondment arrangement between itself and the NGO sector/individual NGOs.



# THE PROGRAM IN PRACTICE



Patient centered, efficient, cost effective NGO services delivered to the NSW community

## 7. Ancillary matters

A significant number of other matters have arisen for consideration as part of the extensive consultations undertaken as part of the Review or as matters which flow from the body of recommendations already made.

### Whole of government approaches

Goal 4 of the *NSW 2021 Plan* (“Increase the competitiveness of doing business in NSW”) commits to both reducing red tape and duplication of regulations through the government and in relation to Federal/State reporting requirements. Goal 30 (“Restore trust in state and local government as a service provider”) commits to increasing customer satisfaction with government services.

Goal 31 (“Improve government transparency by increasing access to government information”) commits to increasing access to information about services which is kept up to date and Goal 32 (“Involve the community in decision making on government policy, services and projects”) seeks to enhance the role of citizens in making decisions relevant to their own welfare. Through the *Plan* there is an emphasis on red tape reduction, streamlining of services, a one-stop-shop approach to the provision of services and enhancing citizen participation and customer satisfaction.

Major changes in the management of the NGO Program should be consonant with support of all of these objectives and we have attempted to reflect this commitment in our recommendations.

### Common Standards

In NSW a large number of NGOs are funded from multiple State government sources. Our examination of NGOs funded by NSW Health reveal that while some are funded exclusively by NSW Health there are many which have multiple funding sources and in many instances funding from NSW Health constitutes a relatively minor proportion of overall funds received. Funding may be received from Ministries such as Education, Transport, Ageing and Disability, Attorney-General and Justice, Family and Community Services, Aboriginal Affairs and others. Unfortunately there appears to be no clear attempt to coordinate reporting requirements, standardise accountability arrangements, align the timing of funding decisions or even establish uniformity of documentation.

At the very least thought should be given to a system of “**mutual recognition**” between NSW Departments/Ministries whereby one agency could be determined as the lead agency for reporting (perhaps the largest funder where multiple funders exist) and its reporting and acquittal system could be accepted by the other funding agencies without the necessity for multiple reporting, especially of the same service/grant to multiple sources.

Beyond NSW this is a major problem in relation to those NGOs which are funded by both State and Federal Governments. However the same principle of “mutual recognition” ought to be pursued in this sphere.

## Common Knowledge

In order to understand the value for money in terms of health outcomes being achieved by State government expenditure in this state it is necessary to know what those expenditures are.

It has proven more difficult than might have been imagined to establish the expenditure on NGO services made by NSW Health and there is no clear way of knowing what “health services” are actually funded by other NSW agencies. This figure should be available if we are to take seriously the claim that “value for money” is being achieved by public expenditure.

In order to achieve this all other Ministries in NSW should be approached by NSW Health to request the level of expenditure on health-related services delivered in the NGO sector. This would allow both a proper evaluation of value for money questions and put an end to any speculation that some NGOs are “double dipping” and being paid by more than one NSW agency for exactly the same service. Although this Review has not identified any such instances, and such matters may be examined as part of the ICAC Inquiry, it remains important that this information be collected and analysed across the whole of the NSW Government.

## Insurance

The NSW Government owned self-insurance scheme, the Treasury Managed Fund (TMF), which underwrites the full range of insurances (workers compensation, property, public liability, motor vehicle, miscellaneous risks) for the public sector in NSW is not available to NGOs. Therefore NGOs in NSW purchase insurances from the open market. Due to the generally small size of NGOs, the bargaining power of NGOs is limited and insurance costs are high even though risks are relatively low. This has a significant impact on costs of services provided by NGOs, which could be significantly reduced by access to the TMF. The South Australian Government allows access to NGOs to its state government insurance scheme, as is the case for some NGOs in Victoria. As a significant cost saving strategy for the NSW Government, it is recommended that NSW Health NGOs who achieve Lead Agency status or have Head Agreements with NSW Health have access to the TMF. The Taskforce has taken advice on this recommendation and appreciates that it would require considerable consultation with numerous parties and across several Departments. Nevertheless we think it worthwhile pursuing and so recommend.

## Privacy and Confidentiality

In discussions between the Chair of the Taskforce with both the NSW Privacy Commissioner (Dr Elizabeth Coombs) and the NSW Information Commissioner (Ms Deirdre O’Donnell) it has become clear that there are significant issues in relation to the way in which personal information (and especially personal health information) is, or may be shared between NSW Health (and other state agencies) with the NGO sector and the obligations on both parties relating to privacy protection and information management. In NSW the *Privacy and Personal Information Protection Act 1998* and the *Health Records Information Privacy Act 2002*, together with the Commonwealth *Privacy Act 1998* are all relevant.

The extent to which individual NGOs are or are not covered by legislation; the extent to which they may need specific Privacy Management Plans; the protocols for transfer of personal information (including electronically) between State agencies and private sector (NGO) providers and the extent

to which NGO records may be subject to provisions of the *Government Information (Public Access) Act 2009* (GIPA) when those NGOs are delivering services on behalf of a state agency are far from clear.

Any extension of NGO activity which involves access to or transfer of personal information (especially health information) held in the public sector needs to be clarified before major transfers of such data/information is contemplated.

## **NSW Health approaches**

### ***Social Media and the Internet***

Numerous instances were drawn to the attention of the Taskforce in which restrictions imposed by NSW Health were seen as incompatible with the way in which many NGOs operate and would wish/continue to do so were they in a closer partnership. These relate primarily to the use of social media and access to the internet. In most instances, NGOs make far more use of social media and have far more open and flexible rules for access to the internet than is the case with NSW Health. Particular instances drawn to our attention focussed on especially sensitive areas such as discussions about sexual health or behaviour, suicide prevention and drug use. There are a variety of blanket bans on access to certain sites, or the searching of certain words from sites within NSW Health and it involves a complex and timely procedure to have such restrictions lifted or modified. In many instances these restrictions prevent NSW Health entities from communicating with their actual or potential clients in the most timely and effective manner.

A detailed examination of these problems is beyond the scope of this Review but, in our view needs to be undertaken to ensure that there is a compatibility (if not exact uniformity) of approaches when NSW Health and any NGO(s) is in a contractual arrangement. It would not be appropriate in the opinion of the Taskforce for NSW Health to require any funded NGO to comply with the exact provisions of the Ministry/LHDs in relation to user of social media as this would inevitably result in a loss of some of the advantages which NGOs deriving from the way in which they interact/communicate with their clients.

### ***Access to funding for Capital Works***

Another frequently raised issued from the NGO perspective has been the question of access to funding for capital works. There is a degree of confusion as to exactly what constitutes capital works and how NGOs are to fund necessary infrastructure when this is essential to the carrying out of their contracted functions. There are a number of formal and informal arrangements in place within the system. These range from the provision of free accommodation in NSW Health premises, the provision of minor items (old furniture, filing cabinets etc) at no cost through to subsidies of utility or other charges. There appears to be no specific reason why funding for NGOs should exclude funding for capital requirements when these are otherwise essential or integral to the work being undertaken by the NGO on behalf of NSW Health.

### ***Co-location of Services***

NSW Health has developed an exceptionally effective model for bringing together a variety of HIV/AIDS/Hepatitis/Drug User/Client Support services within the one premises at 414, Elizabeth

Street, Surry Hills. In this single premises the co-location of a variety of funded services which were previously in a number of separate locations has led to a great synergy of activities, information and personnel exchange and client convenience. It is a model which should be considered in other locations where such synergies might be facilitated and where savings might accrue to NSW Health. Co-location of services should be promoted only where the NGOs concerned are supportive of such arrangements and not on the basis of improving the convenience of NSW Health, nor should it ever be a condition of funding.

### **Funding for Research**

Significant questions have been raised about the funding of research being undertaken in various parts of the NGO sector. Clearly in many funded programs, research (especially when related to matters such as client satisfaction or program evaluation) is an integral part of the program itself and should be funded as a component of that program. There are however a number of instances where NSW Health is funding research which is being undertaken separate from, or at least not directly related to, any specific funded project. Support for research institutions as such or for university programs or Chairs should not, in the opinion of the Taskforce be funded out of the NGO budget. In most instances, such research is valuable and NSW Health may want to continue to support it, while at the same time recognising that it may not fall within the funding guidelines of the Office of Medical Research.

There should be a clear system whereby non-program related research is evaluated and funded, including where research is specifically commissioned by the Ministry, but this should not be within and from the NGO funding Program. That said, the Taskforce notes the recommendations of the *NSW Health and Medical Strategic Review (2012)* which calls for greater investment in medical research generally. We support this and would not support any reduction in support for medical research as a result of its being transferred out of the NGO Program.

### **Responsibility for Displaced Staff**

Our attention has been drawn to concerns that where an existing Program which has attached staff and is currently managed within and LHD may be transferred directly, outsourced or competitively tendered in the NGO sector that the rights of potentially displaced staff need to be addressed. In the United Kingdom there have been several instances where existing Programs have been put out to competitive tender and when that tender has been won by a different party than the one holding it originally, the new and successful tenderer has had to assume responsibility for the staff of the Program from the original tender holder.

In order to comply with aspects of European labour law the UK has enacted the *Transfer of Undertakings (Protection of Employment) Regulations 2006* which mandate such an arrangement. The Taskforce does not believe that this European/UK model is suitable for Australia although the NGO sector recognises the importance and value of being able (where possible) to take over staff who would otherwise be displaced because of their knowledge and expertise and in order to enhance continuity of services. The Taskforce is unclear as to the potential impact of the *Fair Work Amendment (Transfer of Business) Bill 2012* which at this stage has passed the House of Representatives. It deals with the protection of the employment rights of State public sector employees whose functions are transferred to non-public sector employers who are covered by

federal industrial awards. At this stage that does not appear to cover employees in NSW whose public sector employees do not fall under provisions of the *Fair Work Act*. There are a range of industrial relations implications in this instance, including negotiations about potential transfer of staff and/or the displacement/redundancy of non-transferred staff. These are important implementation issues that will require careful consideration with input from all relevant groups, including the existing employees and employer, the proposed employer, the relevant unions and industrial relations experts.

However possible extension of this legislation in the future may become significantly more relevant and there have already been decisions in the NSW Industrial Relations Commission dealing with transfer payments made to employees where the NSW Government has previously outsourced work to private sector operators.

### ***A Clearinghouse for Success Stories***

Throughout our consultations the Taskforce has been made aware of the number of outstandingly services and initiatives which operate within the NGO sector. Unfortunately, these services are not well recognised. There is a significant lack of sharing of the “good news” within the sector and between the sector and NSW Health generally. It is far more common for the “bad news” stories to be highlighted and circulated than for the “good news” stories to be disseminated. Given the almost infinite variety of communication opportunities available these days there is no reason that such information should not be easily collated and readily disseminated. There is no reason for information and experiences not to be shared and indeed as the funder, NSW Health should insist that this is the case. It would be relatively easy and inexpensive to establish a Clearinghouse to which NGOs should be obliged to report on services or initiatives which have achieved high levels of success or involved the introduction of new and innovative ideas or practices.

This should be combined with simple contact details to allow other interested parties to obtain first-hand information and advice from proponents of such successes which could then be considered for emulation or transfer into other appropriate circumstances or locations. The management of such a Clearinghouse could clearly be something put out for competitive tender with the framework described above.

In supporting this proposal the Taskforce specifies that funding for such an initiative must be new funding and not a diversion from other existing NGO Programs.

### ***A Special Case – Medically Supervised Injecting Centre***

Representations were made to the Taskforce on behalf of the Medically Supervised Injecting Centre (MSIC) at Kings Cross. The MSIC argues that because it is required to operate in a unique environment whereby the Minister for Health and/or Minister for Mental Health and the Minister for Police have some say in its operations it does not stand in the same relationship to the Ministry of Health as other NGOs. Staff of the MSIC are employed as part of the War Memorial Hospital (a third schedule non-declared affiliated health organisation) and Uniting Care, as the MSIC licence holder is indemnified through the Treasury Managed Fund for its operations. In addition the MSIC receives funds through the Confiscated Proceeds of Crime Account and have their staff requirements (a medical director and nursing staff ratio) mandated under legislation and management protocols. The Taskforce does recognise this as a special set of circumstances and suggests that the Ministry

consider removing its funding from the NGO Program into separate arrangements with the MSIC perhaps designated as a non-declared affiliated health organisation.

## NGO Advisory Committee

Both the promises of the *State Plan* and common sense dictate that any major Program which involves an expended partnership between NSW Health and the community sector should have built into it a mechanism whereby parties can be brought together to discuss the Program, to monitor its success and to advise on its future. For many years the Department/Ministry of Health has had advisory committees attached to its major Programs. These have varied in form, operation and success. An NGO Advisor Committee has been attached to the NGO Program for many years and has undergone a variety of iterations and membership. The Taskforce regards it as essential that such an advisory committee be part of any revised NGO Program.

We believe that such as Advisory Committee should be just that – it should render advice. It does not have a role to play in questions of funding but rather should confine its activities to advising both the Ministry and the LHDs on priorities for the NGO sector. It has a further role to help identify emerging issues in the sector and to identify gaps which the Ministry can take into account when planning with the LHDs/SHNs for future funding or investment decisions.

It should operate at a high level, being chaired by a Deputy Director-General (DDG) (not his/her delegate) who would be expected to be that DDG with responsibility for the supervision and driving of the NGO Program in general. Members should be appointed for a three year period with membership consisting of:

- Peak and state-wide service providers
- A limited number of smaller NGOs (on perhaps an 18 month rotation)
- A representative from a peak Health Consumer organisation
- Up to 3 LHD/SHN representatives (at least one non-metropolitan) represented at Chief Executive level.

There is, in the opinion of the Taskforce, a compelling case for this body to operate at the highest level of representation and for this reasons we are not proposing to include the NGO Coordinators who are currently represented on the Advisory Committee.

The Committee should meet quarterly with clear terms of reference and with access to adequate information to allow it to make informed recommendations to the Ministry.

## Timetable for implementation and transitional arrangements

The Taskforce recognises that any major rearrangement or realignment of the NGO Program will not be easy to implement, nor will it be possible for all aspects of any reorganisation to be completed before 30 June 2013 which is the date to which all NGO funding has currently been guaranteed.

It is possible that some of the recommendations can, if adopted, be given effect between November 2012 and June 2103 but others will take longer. Hopefully all could be in place by 1 January 2014.



None of this precludes funding decisions being made and implemented within the framework of the forthcoming State Budget and all NGOs are aware of the imperatives in this regard and the current uncertainty of funding as from 1 July 2013.

However there is a clear necessity for a Timetable for Implementation to be adopted and where necessary transitional arrangements put in place.

## Recommendations

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 only 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
RECOMMENDATION 32	That NSW Health, through the NGO Advisory Committee, identify aspects of policy in relation to the use of social media and access to the internet which may minimise the opportunities for effective contracts to be developed between NSW Health and the NGO sector.
RECOMMENDATION 33	That the NGO sector not be excluded from access to capital works funding support.
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 35	That funding for research which is not an integral part of any funded Program not be provided from within the existing NGO Program.
RECOMMENDATION 36	That staff displaced as a result of any change in service delivery arrangements be managed as part of the normal industrial relations process.



RECOMMENDATION 37	That a clearinghouse be established (by competitive tender) to facilitate the exchange of information within and across the NGO sector related to successful services /initiatives.
RECOMMENDATION 38	That the special position of the medically supervised injecting centre be subject to further consideration in relation to its status and funding outside the NGO Program.
RECOMMENDATION 39	That an NGO Advisory Committee be established along the lines proposed in this document above.
RECOMMENDATION 40	That a timetable for the implementation of adopted review recommendations be established with provisions for any necessary transitional arrangements.

## 8. Leadership and the way forward

The Taskforce recognises that its recommendations will present the Minister and Director-General with some major challenges as they propose a major overhaul of the way in which the NGO program is conducted and funded.

Our recommendations are presented however after an exhaustive period of consultation with both NSW Health and with the NGO sector (as outlined in Chapter 2 and the Appendices) and builds upon a similar exhaustive process undertaken in 2009/10 which led to the publication of *NSW Health NGO Program Review Recommendations Report* in July 2010.

The publication of that Report led the NGO sector to expect that certain decisions would be made and that a new funding paradigm would be established.

The election of a new Government with different priorities and focus intervened leading to a major reorganisation of both the structure of NSW Health and the way in which it does business, with a heightened emphasis on devolution and local decision making and with new funding arrangements in terms of activity-based funding.

In addition the Minister (Hon Jillian Skinner MP) made clear that all policies in the NSW health system must be patient-centred and adhere to her CORE values of collaboration, openness, respect and empowerment.

At the same time the publication of the State Plan *NSW 2021* and the Government's determination to restore the State's budgetary position has meant that considerations outside the control of NSW Health have to be taken into consideration – in particular the recognition of likely decreases in the total amount of money available for the NGO program over the next few years.

Against this background the Taskforce was appointed and given a relatively short time (less than three months) to complete its report. In the interim all NGOs were advised that funding arrangements then in place would be continued until 30 June 2013. They were advised that further arrangements would be made following consideration of the Taskforce Report and any actions arising from the reform.

It is now time for decisions to be made.

There has been adequate consultation over a period in excess of two years and no more is needed. Between the recommendations of the 2010 Review and this Review we believe that all the material which is needed for decisions to be made is on the table – openly and transparently.

Some organisations will, no doubt, be hoping that there will be little or no change made to funding arrangements.

This is not a viable proposition given the budgetary position of NSW Health.

The Taskforce however is confident that there is widespread recognition in the NGO sector of the financial challenges and an equally widespread preparedness to embrace real change and get on with it.

It is not inevitable that there will automatically be less money in total available for the NGO sector and in support of its activities – merely that the money will not necessarily come from the same sources or in the same fashion as in previous years. There will be less money available by way of what were previously direct grants but hopefully more money available by redirecting expenditure away from the Ministry and the LHDs into the NGO sector.

This will necessarily cause some concern within NSW Health itself and within the LHDs in particular. This is inevitable. It should not be allowed to stymie the process of reform.

Any new model will take time to become entrenched and accepted by the NGO sector and there should be agreement that once any reforms have been enacted the system will be allowed to stabilise and become familiar to them without further changes in the short to medium term.

Above all it must be recognised that none of this will take place or be possible without public, dynamic and effective leadership from the Ministry.

The new NGO arrangements must have a perceived and recognised champion - preferably at Deputy Director-General level - who is dedicated to pushing ahead with the reform process, confronting and overcoming obstacles and determined to make the new paradigm work.

Without such leadership failure is guaranteed - with its success should be inevitable.

It must be considered that there is nothing more difficult to carry out, nor more doubtful of success, nor more dangerous to handle, than to initiate a new order of things. For the reformer has enemies in all those who profit by the old order and only lukewarm defenders in all those who would profit by the new order, this lukewarmness arising partly from fear of their adversaries, who have the laws in their favour; and partly from the credulity of mankind, who do not truly believe in anything new until they have had actual experience of it. Thus it arises that on every opportunity for attacking the reformer, his opponents do so with the zeal of partisans, the others only defend him half-heartedly, so that between them he runs great danger.

*Niccolo Machiavelli : The Prince 1532*

## Recommendations

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.
RECOMMENDATION 42	That once any new arrangements are put in place the sector be guaranteed that there will be no substantial or significant modifications made to it for a period of at least three years.
RECOMMENDATION 43	That NSW Health commit itself to real leadership in promoting any new NGO funding arrangements.

**TASKFORCE**

CHRIS PUPLICK AM (Chair)

SANDRA BAILEY (Member)

ANN BRASSIL (Member)

ALISON PETERS (Member)

LARRY PIERCE (Member)

**November 2012**

## LIST OF APPENDICES

APPENDIX 1- Grant Improvement Management Taskforce – Member Profiles

APPENDIX 2- Grant Improvement Management Taskforce – Terms of Reference

APPENDIX 3- Grant Improvement Management Taskforce – Discussion Paper for Consultation

APPENDIX 4- Organisations who attended Forums

APPENDIX 5- Meetings conducted by Grant Improvement Management Taskforce Chair

APPENDIX 6- Taskforce suggestions for NSW Health activities for the NGO Sector

## APPENDIX 1

### NSW Ministry of Health Grant Improvement Management Taskforce Member Profiles

#### Professor Chris Puplick – Principal, Issus Solutions (Chair)



Professor Chris Puplick AM, BA(Hons), MA, JP is the Principal of Issus Solutions Pty Ltd, a private consultancy firm and is Chairman on the Board of Directors of Convenience Advertising. Professor Puplick is a former Federal Senator and Shadow Minister and served in NSW as President of the Anti-Discrimination Board and Privacy Commissioner.

Professor Puplick is a former Chair of the Central Sydney Area Health Service and the AIDS Trust of Australia. Professor Puplick was also the Chair and Deputy Chair of the Griffin Theatre Company, the Board of the National Institute for Dramatic Art, inaugural chair of the National Film and Sound Archives of Australia and the Theatre Board of the Australia Council.

He was the Chair of the Australian National Council on AIDS, Hepatitis C and Related Diseases and has represented Australia at meetings of the United Nations General Assembly and the International Whaling Commission.

Mr Puplick was appointed a Member (AM) of the Order of Australia in 2001, for contributions to Australian politics and public policy, particularly in relation to human rights and social justice.

#### Sandra Bailey – Chief Executive Officer, Aboriginal Health and Medical Research Council



Sandra Bailey is the Chief Executive Officer, Aboriginal Health & Medical Research Council of NSW (AH&MRC); Co-Chair of the NSW Aboriginal Health Partnership.

Sandra is a member of the Yorta Yorta nation with a background in law and Aboriginal health and a strong involvement in the Aboriginal community sector. She has been involved in a number of Aboriginal community organisations at local, regional, state and national levels.

Sandra also worked with the Victorian Aboriginal Legal Service and was head of the Victorian Aboriginal Issues Unit of the Royal Commission into Aboriginal Deaths in Custody.

### **Ann Brassil – Chief Executive Officer, Family Planning NSW**



Ann Brassil (MA (Hons)Clin Psych; MBA), is the CEO of Family Planning NSW (FPNSW) and sits on the Boards of the Northern Sydney Local Health District and NSW Kids and Families. Ms Brassil has more than 30 years experience in the NSW health system, working in a variety of public health and non-profit settings, including mental health, community health and hospital services, cancer screening and reproductive and sexual health. Her recent years at FPNSW have seen the organisation grow in capacity, funding and international projects.

### **Alison Peters – Director, Council of Social Service of NSW**



Alison Peters has been the Director of the Council of Social Service of NSW (NCOSS) since November 2007. Alison has been a member of the Public Interest Advocacy Centre Board since February 2008.

Prior to this Alison was the Deputy Assistant Secretary of Unions NSW for seven years.

### **Larry Pierce – Chief Executive Officer, Network of Alcohol and other Drugs Agencies**



Larry Pierce - CEO, Network of Alcohol and other Drugs Agencies (NADA). Larry has served as the CEO of NADA for the past 12 years. He comes from a background in drug and alcohol service provision in Queensland in the 1980s and 1990s and has also had extensive experience in the public sector in HIV/AIDS and hepatitis C public health Programs both in Queensland and the Commonwealth health departments. Larry sits on the NSW Drug and Alcohol Council and the NSW Health NGO Advisory Committee, representing and advocating for NGO interests with NSW Health.

## APPENDIX 2

### Terms of Reference

#### Grants Management Improvement Taskforce

##### Background

NSW Health and NGOs have a long history of working together to deliver health services. NGOs bring a range of skills and experience to the health sector, as well as close relationships with many groups and communities. These attributes complement the work of public health services across NSW.

As of 1 July 2012 the Ministry of Health introduced a new purchaser/provider funding model where services will be purchased from LHDs on the basis of a service agreement or contractual arrangement. The Ministry is intending to align funding to NGOs and community based organisations under the GMIP with that model.

NSW Health is implementing a new funding framework to enable the NSW Health system to purchase suitable health services from the NGO sector. This new funding framework, called the Grant Management Improvement Program (GMIP) will transition the NGO Grant Program and, in line with the NGO Program Review recommendations delivered in 2009, will:

- Help secure the best possible outcomes and range of services for patients
- Reduce red tape in the funding relationship
- Strengthen governance, transparency, efficiency and effectiveness

NSW Health is committed to the crucial role NGOs have in the provision of health services in NSW, and values a vibrant and effective health NGO sector across NSW. NSW Health is therefore seeking to better understand the potential for new partnerships between the NGO sector and the public sector for the delivery of health services.

##### Purpose

The Taskforce's purpose is to examine and propose opportunities for new partnership arrangements between the public health services sector and NGOs and community-based organisations. In addition, the Taskforce will make recommendations for the implementation of the Grants Management Improvement Program (GMIP).

The taskforce's operation will be guided by the Government's core values as set out in the letter from the Minister for Health and Minister for Medical Research to staff (4<sup>th</sup> April 2011). The core values are collaboration, openness, respect, and empowerment.



## **Key responsibility**

Over three months from mid-August until mid-November 2012, the Taskforce will involve the NGO sector via three forums across the state of New South Wales in the following locations:

- Western Sydney
- North Coast
- Mid-western NSW

The purpose of the forums will be to gather the views of a broad range of NGOs operating in the health sector in order to develop a better understanding of the sector's capacity and willingness to deliver health services under new partnerships with the public sector.

Each forum will be open to NGOs and other community based organisations delivering services in the health sector, and members of the general public may also attend. The dates and location of each forum will be advertised in the press. Each forum will be conducted over no less than three hours duration and be structured to enable free discussion and debate by participants.

The Taskforce will also convene a number of meetings with selected peak bodies and major NGOs (those in receipt of grants over \$1 million per annum). These sessions will enable the Taskforce to gain a deeper understanding of the issues involved in creating new partnerships between the public sector and NGOs for health service delivery.

The Taskforce will also consult with Directors of Branches in the Ministry of Health which administer grants to NGOs on opportunities for new partnerships and seek their input to improving administration and management of grants and funding to NGOs.

In addition, the Taskforce will consult and workshop ideas with Local Health District Chief Executives at a Senior Executive Forum.

## **Membership**

Members will be appointed by the Director-General for Health. The Taskforce will be chaired by Mr Chris Puplick AM and will include the following members:

### *Members*

- Alison Peters, Director, Council of Social Services of New South Wales
- Larry Pierce, Chief Executive Officer, Network of Alcohol & Drug Agencies
- Sandra Bailey, Chief Executive Officer, Aboriginal Health and Medical Research Council
- Ann Brassil, Chief Executive Family Planning NSW, and Member Northern Sydney Local Health District Board

### *NSW Health representatives*

- Dr Rohan Hammett, Deputy Director General, Strategy & Resources
- Catherine Katz, A/Director, Inter-Government and Funding Strategies & Integrated Care
- Joanne Young, A/Associate Director, NGO Unit

**Secretariat**

The Secretariat function will be performed by the NGO Unit NSW Ministry of Health.

**Reporting relationships**

The Taskforce will report to the Director-General, NSW Health by 1 November 2012.

**Frequency of meetings and period of operation**

In addition to the three planned forums throughout New South Wales, meetings with NGOs, Ministry of Health Branch Directors and NSW Health Senior Executive Forum meetings of Taskforce members will be held regularly and as necessary. Items may also progress out of session by teleconference and electronic communication.

The Taskforce will operate until it delivers its report and recommendations to the Director-General NSW Health by 1<sup>st</sup> November 2012, and receives feedback by mid November 2012.

## APPENDIX 3

### Grants Management Improvement Taskforce – Discussion Paper for Consultation

#### BACKGROUND

In March 2011, a new government was elected in New South Wales and a new Minister for Health and Medical Research, Jillian Skinner MP, was appointed. From the onset, the Minister for Health set clear priorities for the NSW Health system<sup>3</sup> including working towards a patient-centred health service; focusing on health prevention to avoid unnecessary hospital admissions; moving towards a devolved governance structure for NSW Health where decisions are made as close to the patient as possible; enhancing the role of clinicians and increasingly relying on strong evidence-based policy to guide the health system. A focus on prevention and care in the community has also been strengthened through a key NSW State Plan goal<sup>4</sup> (Goal 11) to keep people healthy and out of hospital.

To underpin those priorities, the Minister has set CORE values to be applied to NSW Health and all its activities. The CORE values are<sup>5</sup>:

Collaboration – “We are all part of one team in one health system”

Openness – “Ensuring that facts are on the table and allowed to speak for themselves, no matter how embarrassing or uncomfortable they may sometimes be. Our processes must be transparent.”

Respect – “Within a respectful healthcare system, we are able to give real meaning to the concept of accountability to our patients.”

Empowerment – “Enabling patients to take greater control of their own health care in collaboration with care providers.”

NGOs funded by NSW Health have much to contribute to these priorities and core values as they often deliver preventative services targeted at hard to reach and vulnerable populations. NGOs are often best placed to deliver services locally as they bring a range of skills and experience, as well as particular relationships with those groups and communities which the public health system would find difficult to substitute or emulate.

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<sup>3</sup> For more information about these priorities, please visit:

<http://www.health.nsw.gov.au/resources/Minister/health/pdf/20111017.pdf>

<sup>4</sup> For more information about the State Plan, please visit:

[http://2021.nsw.gov.au/sites/default/files/pdf/NSW\\_2021\\_Performance\\_Report\\_2012-13.pdf](http://2021.nsw.gov.au/sites/default/files/pdf/NSW_2021_Performance_Report_2012-13.pdf)

<sup>5</sup> For further information on the CORE values, please refer to:

[http://www.health.nsw.gov.au/whatsnew/Minister\\_letter.asp](http://www.health.nsw.gov.au/whatsnew/Minister_letter.asp)

## **NSW HEALTH NGO FUNDING**

In 2012/13, NSW Health is providing funding to over 300 NGOs totalling \$149.6 million for the delivery of health and health-related services under the Ministerially approved NGO grant Program. NGOs receiving funding from NSW Health use this money for a wide and varied range of services and activities<sup>6</sup> including delivery of health promotion and education campaigns; newsletters; provision of support groups; counselling services; supply of needles to diabetic patients; provision of treatment centres; academic research; computer upgrades; training; etc.

Previously, NSW Health has favoured the use of grants to fund many NGO activities from direct service delivery to education and capacity-building. Some grants have been funded across three year cycles (e.g. via the Ministerial Grants Program), some have been one-off (e.g. ad hoc grants). Other support to NGOs has been in the form of contractual arrangements as well as in-kind support in the form of rent subsidies or funding for IT systems. In addition, many NGOs currently receiving NSW Health funding also receive funding from the Commonwealth, from some of our own Local Health Districts and from charities or the private sector. This combined with the variety of services and activities delivered with that funding make for a very complex landscape.

### ***New funding framework***

The NSW Government introduced a new funding framework for the NSW Health system from 1 July 2012. Under the framework, the Ministry of Health will purchase specific services from Local Health Districts to achieve greater transparency in funding and resourcing and to secure the best possible outcomes for patients. In line with the new funding framework, a Grants Management Improvement Program (GMIP) will also be implemented to improve grants administration and introduce opportunities for new partnerships between NSW Health and non-government organisations (NGOs) and other community providers. The objective of procurement activities for purchasing NGO services is to achieve the best value for money in supporting the delivery of NSW Health's Programs to individuals and communities in NSW.

Consistent with this funding model for Local Health Districts, the funding relationship between NSW Health and NGOs and other community providers will increasingly be based on a purchaser-provider relationship but some grants will continue as grants. The new funding relationship will be introduced in a planned way and the Program will transition over time.

A proportion of funding (to be determined) commencing July 2013 will be based on the outcome of a procurement process. A transition and implementation plan will be developed and commence in the first half of 2013. New purchaser-provider relationships for specific services will be implemented in accordance with NSW Health's procurement policy. Details will be developed over the coming months and NGOs will be consulted on the changes through the Grants Management Improvement Taskforce (more details about the Taskforce are included on page 3 of this Discussion Paper).

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<sup>6</sup> For a full list of funded NGOs and a description of their activities, please refer to NSW Health Annual Report 2010/11: <http://www.health.nsw.gov.au/pubs/2011/pdf/annualreport11.pdf>, p154

## **THE NGO REVIEW RECOMMENDATIONS REPORT AND THE GRANT MANAGEMENT IMPROVEMENT PROGRAM**

The NGO Review Recommendations Report published in 2010<sup>7</sup> 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 NGO 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;
- Strengthen partnerships between NSW Health and the NGO Sector to improve the health planning and health service delivery across all NSW health services.

These improvements are 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.

To deliver these improvements, NSW Health set up a Grants Management Improvement Program (GMIP) led by the NGO Unit within the Ministry of Health. The GMIP aims to ensure quality and cost effective health services are delivered by NGOs to individuals and communities across New South Wales. The GMIP also seeks to achieve greater transparency in funding and resource allocation decisions by introducing contestability. In addition, the historically based triennial granting process will be replaced with a new granting policy, including changes to NSW Health's approach to requests for ad hoc funding and sponsorship funding.

### **GRANTS MANAGEMENT IMPROVEMENT TASKFORCE**

The **Grants Management Improvement Taskforce**<sup>8</sup> forms an integral part of this process of change. Essentially, the role of the Taskforce is to consult with the NGO sector to find ways to practically improve the management and delivery of grants to NGOs.

In exploring these new opportunities, the Taskforce is seeking to identify best practices in funding management. The Taskforce is currently consulting with other NSW government departments on different models of funding as well as reviewing relevant international experience. The Taskforce will seek input on best practice throughout its consultation with the NGO sector.

An essential part of improving the management and delivery of NSW Health grants to NGOs is to strengthen accountability and transparency throughout the process. This will include more robust evaluation and monitoring practices as well as a more transparent and dynamic system where new

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<sup>7</sup> The NGO Review Recommendations Report is accessible through the following link: accessible here: [http://www.health.nsw.gov.au/aboutus/business/ngo\\_review.asp](http://www.health.nsw.gov.au/aboutus/business/ngo_review.asp)

<sup>8</sup> The Taskforce is chaired by Mr Chris Puplick AM, with members Sandra Bailey (Aboriginal Health and Medical Research Council), Ann Brassil (Family Planning NSW), Alison Peters (NSW Council of Social Services) and Larry Pierce (Network of Alcohol and Other Drug Agencies).

providers are able to access NSW Health funding if they can deliver services to improve health outcomes in line with NSW Health's priorities.

Improving the current system and strengthening its focus on accountability and transparency will require some significant changes from both NSW Health and funded NGOs in the way NGO grants and funding are currently being administered and managed. Amongst these key changes will be a more robust performance monitoring and evaluation process with a renewed emphasis on the outcomes funded services contribute to, rather than on their activities and outputs.

The purpose of the Taskforce's Forums in September 2012<sup>9</sup> and one-on-one consultations between the Taskforce chair and large NGOs (those in receipt of over \$1 million aggregate annual funding from NSW Health) is to seek advice and views from those at the 'coalface' of the NGO sector and the health system more generally. This consultation process seeks practical input into how NSW Health can best revise its methods of grant administration and management to maximise the NGO sector's ability to deliver the best outcomes possible to its clients with the funding it receives from NSW Health.

**Your input is essential if NSW Health is to successfully implement an improved system that is fit-for-purpose, transparent, accountable and effective at delivering best practice services.**

*In exploring these issues, the Taskforce seeks your input on the following:*

- 1. How clearly does your NGO understand what NSW Health is seeking from you regarding the funding it allocates to your NGO?*
- 2. In what ways do you think the processes and interactions between your NGO and NSW Health can be improved?*
- 3. Do you feel your NGO receives adequate feedback from NSW Health regarding its annual reports?*
- 4. How does your NGO measure the impact of its services on its client groups? How do you report those impacts to NSW Health and disseminate them more widely?*
- 5. Does your NGO have any direct relationship with a "peak" NGO in your field, and if so, what is your relationship with that peak organisation? Do you feel this is a valuable relationship and what benefit, if any, do you derive from it?*
- 6. Are there services currently delivered by the public health service which you feel could be more effectively delivered by your NGO? If so, what are they and why do you think your NGO would be best placed to deliver those services?*

<sup>9</sup> For full details of dates and venues please visit:

[http://www.health.nsw.gov.au/aboutus/business/grants\\_mgmnt\\_improve\\_tf.asp](http://www.health.nsw.gov.au/aboutus/business/grants_mgmnt_improve_tf.asp)

*The Taskforce is seeking your input into this process. If you have any thoughts or comments on any of the issues or questions raised in this paper, please submit them by email to: [partnerships@doh.health.nsw.gov.au](mailto:partnerships@doh.health.nsw.gov.au). **Closing date for submissions is 26 September 2012.***

## APPENDIX 4

### Organisations who attended forums

DUBBO – MONDAY 17 SEPTEMBER 2012

AIDS Council of NSW (ACON)

Council of Social Service of NSW (NCOSS)

Domestic Violence Counselling Service

GROW Community

Family Planning NSW

Inspiration House Services Inc.

Leukaemia Foundation

Make Today Count

ME/Chronic Fatigue Society of NSW Inc

Merriwa & District Health Association Inc.

Northern NSW Local Health District

NSW Department of Family and Community Services, Ageing, Disability and Home Care

Orange Aboriginal Medical Service

Royal Flying Doctor's Service (RDFS)

The Lyndon Community

Transport for NSW

UPA Yeoval Aged Care Service

Western NSW Local Health District

Western NSW Medicare Local



COFFS HARBOUR – TUESDAY 18 SEPTEMBER 2012

AIDS Council of NSW (ACON)  
Bogal Aboriginal Land Council  
Casino Aboriginal Medical Service  
CASPA  
Coffs Harbour Chamber of Commerce  
Coffs Harbour City Council  
CRANES Community Support Programs  
Family Planning NSW  
GenHealth - Coffs Harbour Women's Health Centre  
GenHealth Inc.  
Lifeline Northcoast (NSW)  
Lismore and District Women's Health Centre  
Lismore Neighbourhood Centre  
ME/Chronic Fatigue Society of NSW Inc.  
Mid North Coast Local Health District  
Mid North Coast Local Health District – Mental Health  
Mission Australia  
Namatjira Haven  
Northern Rivers Social Development Council  
Northern NSW Local Health District  
On Track Community Programs  
The Buttery  
Tobwabba Aboriginal Medical Service  
Transport for NSW  
Upper Hunter Drug and Alcohol Service Inc.

BLACKTOWN – THURSDAY 20 SEPTEMBER 2012

Aboriginal Health & Medical Research Council of NSW (AH&MRC)  
AIDS Council of NSW (ACON)  
Alcohol and Drug Foundation NSW  
Aftercare Association  
Art of Balancing  
Australian Breastfeeding Association  
Australian Diabetes Council  
Bankstown Canterbury Community Transport  
Bankstown Own and Wellness  
Blacktown Community Transport  
Bligh Park Community Services Inc.  
Blue Mountains Women's Health and Resource Centre  
Bobby Goldsmith Foundation  
Brain Injury Association of NSW  
Cabramatta Community Centre  
CareConnect  
Carers NSW  
Catholic Care, Natural Fertility Services  
Central Coast Community Women's Health Centre Ltd  
Co.As.It  
Combined Pensioners and Superannuants Association of NSW Inc. (CPSA)  
Community Resource Network Inc.  
Community Transport Port Stephens Ltd  
Continence Foundation of Australia in NSW  
Doonside/Mt Druitt Pregnancy Help Inc.  
Epilepsy Action Australia  
Epilepsy Association Australia  
Fact Tree Youth Service  
Family Planning NSW  
Great Community Transport  
GROW Community  
Guthrie House

Haemophilia Foundation NSW  
Haymarket Foundation  
Headway Adult Development Program (Bankstown)  
Headway Illawarra  
Healthwise Seniors Inc.  
Healthy Kids Association  
HealthyCities Illawarra  
Hepatitis NSW Inc.  
Homicide Victims Support Group  
Hunter New England Local Health District  
Huntington's Disease Association (NSW)  
Illawarra Shoalhaven Local Health District  
Immigrant Women's Health Services  
Jarrah House  
Kathleen York House, ADF NSW  
Leichhardt Women's Community Health Centre  
Leukaemia Foundation  
Liverpool Women's Health Centre  
Lupus Association NSW Inc.  
Macular Degeneration Foundation  
Matthew Talbot Homeless Services  
Mental Health Carers ARAFMI - Illawarra  
Mental Health Coordinating Council NSW Inc  
Mercy Community Services (Newcastle)  
Mid Mountains Neighbourhood Centre  
Mission Australia  
Motor Neurone Disease NSW  
National Council of Social Services (NCOSS)  
National Stroke Foundation  
Nepean Blue Mountains Local Health District  
Network of Alcohol & Other Drugs Agencies (NADA Inc.)  
Northcott Disability Services  
Northern Sydney Local Health District

NSW Association for Youth Health (NAYH)  
NSW Department of Family and Community Services, Ageing, Disability and Home Care  
NSW Ministry of Health  
NSW Users & AIDS Association (NUAA)  
Odyssey House  
Oolong Aboriginal Corporation  
Palliative Care NSW  
Parkinson's NSW  
Penrith Children's Family Centre – Barnardos  
Penrith Women's Health Centre  
Peppercorn Services Inc.  
Positive Life NSW  
Quest for Life  
Richmond PRA  
Royal Far West Children's Health Scheme  
Royal Institute Deaf and Blind Children  
SHARE, Southern Metropolitan Inc.  
SIDS and Kids NSW and Victoria  
South Eastern Sydney Local Health District  
South Western Sydney Local Health District  
Southern Highlands Bereavement Care Service  
Southern NSW Local Health District  
Southern Youth and Family Services  
St George Youth Services  
St Vincent De Paul Soc – Maryfields Recovery Centre  
Sydney Local Health District  
Sydney Women's Counselling Centre  
SydWest Multicultural Services  
Ted Noffs Foundation  
The Benevolent Society  
The Burdekin Association  
The Ella Centre  
The Gender Centre

The Western Suburbs Haven

Transport for NSW

Uniting Care Mental Health

Uniting Care NSW ACT

Vision Australia

Waminda (South Coast Women's Health & Welfare Aboriginal Corp)

Wayback

WAYS

Western Sydney Local Health District

WILMA Women's Health Centre

Women's Health NSW

Y Foundations

Yerin Aboriginal Health

Youthsafe

YWCA NSW

## APPENDIX 5

### Meetings conducted by Taskforce Chair

#### NSW MINISTRY OF HEALTH BRANCHES

Activity Based Funding (ABF Taskforce)  
Business and Asset Services  
Centre for Aboriginal Health  
Centre for Oral Health Strategy  
Centre for Population Health  
Finance  
Inter-Government Funding Strategies & Integrated Care  
Maternity, Children and Young People's Health  
Mental Health and Drug & Alcohol Office  
State-wide and Rural Health Service and Capital Planning  
Workforce Planning and Development

#### NSW HEALTH PERSONNEL AND COMMITTEES

Local Health District and Ministry of Health NGO Co-ordinators  
Non-Government Organisation Advisory Committee (NGOAC)

#### NGOS IN RECEIPT OF OVER \$1 MILLION pa NSW HEALTH FUNDING

Aboriginal Health & Medical Research Council of NSW (AH & MRC)  
Aboriginal Medical Service Co-op Ltd - Redfern  
Aboriginal Medical Service Western Sydney Co-op Ltd  
AIDS Council of NSW (ACON)  
Aftercare Association  
Australasian Society for HIV Medicine Inc. (ASHM)  
Australian Diabetes Council Ltd  
Benevolent Society of NSW  
Black Dog Institute  
Bobby Goldsmith Foundation  
Casino Aboriginal Medical Service  
Family Planning NSW  
Hepatitis NSW  
Life Education NSW  
Mental Health Association NSW  
Mission Australia National Heart Foundation Australia  
New Horizons Enterprises Ltd

Network of Alcohol & Other Drugs Agencies (NADA)  
NSW Rape Crisis Centre  
NSW Rural Doctor's Network  
NSW Users & AIDS Association (NUAA)  
Odyssey House (McGrath Foundation)  
Pharmacy Guild of Australia  
Richmond Psychiatric Rehabilitation Association  
Royal Far West Children's Health Scheme  
Royal Flying Doctor Service of Australia  
Schizophrenia Fellowship NSW Inc.  
Schizophrenia Research Institute  
Ted Noffs Foundation Inc.  
The Salvation Army  
Uniting Care Mental Health  
Uniting Care NSW ACT - Medically Supervised Injecting Centre  
We Help Ourselves (WHO)  
Women's Alcohol & Drug Action Committee - Jarrah House (WADAC)

#### **NGOS IN RECEIPT OF LESS THAN \$1 MILLION pa NSW HEALTH FUNDING**

Healthy Cities Illawarra  
Macular Degeneration Foundation  
Matthew Talbot Homeless Services, St Vincent de Paul Society  
Red Cross Young Parent's Program  
Southern Highlands Bereavement Care Service  
W.I.L.M.A. Women's Health Centre

#### **WITH PEAK NGOS IN RECEIPT OF LESS THAN \$1 MILLION pa NSW HEALTH FUNDING**

Health Consumers NSW  
NSW Association for Youth Health (NAYH)  
Women's Health Association NSW

#### **OTHER**

AH & RMC Board Meeting  
Community Transport Organisation  
NSW Department of Family and Community Services, Ageing, Disability and Home Care  
Mr Gary Sturgess AO  
NSW Mental Health Commissioner  
NSW Privacy Commissioner  
NSW Information Commissioner  
Transport NSW

## APPENDIX 6

The Taskforce has considered it appropriate to indicate its thinking as to what type/which services currently provided within NSW Health could be considered for possible delivery within the NGO sector.

This list indicates a range of services which could be undertaken by the NGO sector across the broad suite of health services rather than a list of which services could be funded directly under the NGO Program. Not all funded activities of the NGO sector are automatically part of the NGO Program, nor should they be.

The list below constitutes only a preliminary identification. It is by no means exhaustive, nor has it been subject to detailed consideration. It is indicative only.

### **Preliminary identification of areas of activity in NSW Health which could be considered for delivery in the NGO sector**

- Drug and alcohol, methadone maintenance and opioid substitution services and preventive and community education services
- Sexual health services including HIV testing
- Suicide prevention services
- Women's Health services
- Grief and loss services
- Family planning services
- Palliative care
- Sexual assault and Anti-violence services
- Health Education in schools and community settings
- Support for carers (including mental health)
- Out of hospital care for discharged patients / Hospital discharge follow-up (APAC)
- Generalist community nursing
- Ante and post natal care
- Child and Family Services
- Child protection Services



- Youth health Services
- Health Promotion services
  - Preparation and testing of educational material
  - Healthy living and lifestyle programs
  - Nutrition / diet / food safety and preparation
- Community based health checks (e.g. baby health centres)
- Peer education programs
- Non-emergency patient transport
- Prisoner transition programs
- CALD and Refugee health
- MERIT and other Court-based interventions
- Specific chronic illness / disease information, referral and counselling