

Appendix A – Reforms in grant administration

Department of Ageing, Disability and Home Care (DADHC)

DADHC embarked on a funding reform program about six years ago and instituted an Integrated Monitoring Framework (IMF) comprising assessments of:

- **compliance** – via annual reviews, acquittals, minimum data set (MDS) returns
- **quality** – including on-site assessments
- **performance** – in development.

Under the framework, approximately 90% of funded services have received an on-site visit. The extent and frequency of site visits is being reviewed, particularly when the NGO is a provider to multiple agencies.

A renewed approach, based on risk assessment, is being introduced for service monitoring against nationally agreed service standards:

- self-assessment;
- internal assessment; and
- third party assessment (eg. by quality auditor).

The department is currently planning reforms in:

- acquisition or purchasing of services – introduction of a two-staged approach involving establishment of Pre-Qualified Panels (PQPs) followed by selective tenders to providers placed on the panel;
- service monitoring – to encourage greater uptake of e-business reforms
- funding agreements;
- Self-Directed Service and Support plans (voucher models); and
- NGO capacity building.

DADHC is introducing a new quality framework, which aims to minimise the compliance burden for service providers in meeting their reporting and compliance obligations. The new quality framework will incorporate external accreditation providers on a three to five yearly basis. Under this system, DADHC will recognise accreditation by other government and non-government systems, for example, aged care accreditation. Where this aligns to DADHC's own quality requirements, accreditation may also be used to inform future purchasing decisions, minimising the need to use more onerous tendering processes. It will also result in reduced frequency and complexity of reporting; better targeted support for organisations to meet compliance requirements, such as training programs in MDS reporting; and a move towards an evidence based quality assessment and improvement process.

DADHC is currently reviewing its funding acquittals policy with the objective of minimising the burden on funding recipients, given statutory reporting obligations to other state and Australian Government bodies, including the Australian Taxation Office. DADHC is piloting an e-tendering system for service acquisition for ageing and disability funding.

Department of Community Services (DoCS)

DoCS has been progressively implementing a major funding reform program that represents a shift from a grants system to a performance-based contracting system with the following key elements:

- definition of results or outcomes for individual programs, aligned to the agency's Results and Services Plan (RSP)

- introduction of funding arrangements to promote best value for money by rewarding performance through reward payments and future opportunities
- development of new program-specific service specifications incorporating standard performance measures and service costs
- introduction of a Performance Management Framework (PMF) for monitoring service performance funding reform
- implementation of a new IT system to support and the introduction of performance-based contracting.

The funding reform agenda has been progressively rolled out across the various DoCS program streams to allow the sector to adapt and establish data collection methods to report on performance.

Contract Requirements

The bulk of DoCS' funding is currently disbursed – through annual service agreements – to organisations that have a history of receiving government funding to enable the provision of community services. These organisations generally have an expectation that this funding relationship will continue indefinitely. DoCS' new approach to contracting does not pose a threat to the continuity of the services in question. Rather, it reflects the general social trend towards greater interest in accountability. Provided that service providers achieve the results that they have agreed to pursue, the continuity of funding should not be an issue.

DoCS has also moved to provide more certainty to funded services through longer term contracting arrangements. For example, with the Out-of-Home Care program, DoCS has recently entered new contracts of up to three years, with an option to further extend.

Governance and Accountability Arrangements

Financial accountability requirements for funded services have not increased under DoCS' funding reforms. Indeed, the 2009-10 Service Agreement now provides for four different levels of audit requirement, depending on the volume of funds an organisation receives from DoCS. This will allow organisations that receive less funding to meet DoCS' audit requirements more cost effectively.

DoCS is considering ways to further reduce the administrative requirements that its funding processes place on funded services. For example, it is currently a requirement of DoCS' formal performance monitoring that organisations demonstrate engagement with the Department's *Good Practice Guidelines for Funded Services*. Consideration is being given to exemption from this requirement for organisations that hold current accreditation with a recognised, relevant body.

Department of Environment and Climate Change

DECC has two main grants programs, one through the Environment Trust and another through the Climate Change Fund. In all contestable DECC grant programs, applicants themselves create the budget for their project. If the funds allocated are not sufficient, it is because of the applicant's budget.

The Environmental Trust has been moving towards a model for grants which requires less information in applications and reporting for smaller amounts. The Trust's application process and reporting is proportional to the size of the grant. Grants under \$35,000 have fewer requirements for reporting, monitoring and evaluation. Grants over \$35,000 have more sophisticated reporting arrangements to tie the amount of reporting to the agreed outputs and outcomes of the project, with the associated evaluation assisting the grantees in refining their projects. This approach improves the quality of project outcomes, the quality of subsequent projects from the same groups,

and means that the more complex and risky a project is, the greater the reporting requirements, while straightforward, smaller projects will have more streamlined reporting.

The Trust reviews and refines its application and reporting requirements each year and implements a risk-based approach as part of this review process. The Climate Change Fund is also subject to regular review and feedback is sought from both successful and unsuccessful applicants on ways to improve the effectiveness and delivery of the programs, following the end of each funding round.

The Climate Change Fund has introduced a less-complex Application Form for the *Community Savers* stream of the *Public Facilities Program* which is less onerous for applicants and it has introduced a simple Letter of Agreement (around six pages in length) to replace a more comprehensive Funding Agreement (around 36 pages) for projects less than \$100,000. It maintains a high level of accountability but is fashioned for smaller projects with quick implementation periods.

The Environmental Trust and Climate Change Fund Grant Agreements allow for variations to projects. Variations must be justified. Being able to seek a variation to a project allows for the more innovative and/or cost effective approach to be taken.

NSW Health

The NSW Health Operational Guidelines set out a framework for administering policy and legislative requirements and funding and performance arrangements with NGOs. The guidelines were introduced in 1996 following a series of reforms, which resulted in the devolution of a majority of the NGO Grant Program administration to Area Health Services. The last version of the Operational Guidelines was released in August 2000 and is due to be updated.

In 2006/07, the draft NSW Health NGO Policy Framework was developed in recognition of the importance of an effective partnership with NGOs and was developed in conjunction with the NSW Health NGO Advisory Committee (NGOAC), a formal consultation mechanism between the NSW Health system and health NGOs. The purpose of the Framework is to provide an overarching policy statement about how NSW Health and NSW Health-funded NGOs work together in a transparent and practical way.

NSW Health is now reviewing its NGO funding program in consultation with NGOAC. The review has been prompted by:

- the NSW Community Health Review which is recommending short and long-term strategies for a revitalised primary and community health services, many of which are by NGOs; and
- an internal review to identify opportunities to cut red tape across the spectrum of the agency's activities.

Intended outcomes of the review are:

- all funding aligned to current Government policy;
- reduction in funding overlap (ie. minimised duplication of services);
- development of a robust assessment process for funding and grant applications, including improving the opportunities for NFPs to make new bids to work in particular areas;
- development of transparent funding guidelines;
- improved structure of the NGO program, in terms of NGO reporting and monitoring to NSW Health; and
- alignment with state directions for funding and grant administration and NGO engagement.

NSW Housing

The majority of assistance to community housing providers from Housing NSW is in the form of capital properties that are leased to providers on five year terms. Grant funding is also available to providers to lease properties from the private sector and to directly procure social and affordable housing for management. Very little funding is provided for the direct delivery of a community or social service, as NFP community housing providers rely on rental income from properties they manage to cover their operational costs.

From July 1, Housing NSW will introduce changes to the way recurrent funding is calculated for community housing providers. The funding reforms will reduce the complexity of the present system and streamline payment processes and performance reporting to reduce the reporting burden for providers. Under the new model, providers will no longer receive recurrent funding for their capital portfolios and will retain all revenue. They will be expected to use their capital surpluses for growth, innovation and other specified program priorities. In this way, providers can apply the funding they receive from Housing NSW to their business operations in accordance with Housing NSW policy. A revised funding methodology will also apply to funding which is provided to enable properties to be sourced from the private rental market as an interim measure for 2009-10, pending the development of a benchmarked, fee-for-service model.

Office of Fair Trading

OFT has best practice in grants administration in place for planning, pre-grant processes, evaluation of applications, two tier processing controls and in advising unsuccessful applicants of the reasons for lack of success.

OFT is currently working towards a performance-based recurrent funding system whereby services are awarded continued funding if they meet the reporting requirements. This will be considered once an online, real time reporting database has been developed with specific key performance indicators.

Department of Arts, Sport and Recreation (DASR)

DASR is progressively implementing a range of funding reforms to streamline funding processes, reduce red tape and improve accountability of funding programs. Improvements to programs to date have included:

- a reduction in the overall number of funding categories – reducing the need for multiple applications from the same organisation;
- streamlining application processes, particularly for organisations with multiple or strategic cross-agency funding arrangements;
- standardised funding agreements balanced with flexible schedules adapted to diverse programs and projects; and
- improved reporting requirements and data capture.

DASR will work with the sector to continuously improve funding processes.

Appendix B – Initiatives to support workforce development, organisational capacity building and improve information sharing

Workforce development

Keep them Safe: A shared approach to child wellbeing

Workforce development strategies to be implemented as part of *Keep them Safe* include:

- develop, publish and implement a five year plan for child and family service workforce development.
- the Government, in partnership with peak non-government agencies, will develop a series of training packages to help people understand the new system and their responsibilities within in it.
- the Government, in partnership with peak employer organisations and unions, and guided by the Child Protection Advisory Group, will review the qualifications required for major occupational categories, with a view to increasing consistency and improving skill levels.
- strengthen the preparation of graduates for work in a reformed system.
- strengthen the service delivery and workforce capacity in regional and remote communities.
- strengthen the cultural competence of community service workers.
- strengthen the capacity of Aboriginal NGOs in partnership with AbSec, Aboriginal peak organisations and communities, so that they are empowered with a stronger voice in determining and delivering care to Aboriginal children, young people and their families.
- strengthen the skills and experience of staff, both within Government and in the NGO sector, in delivering services to children and young people with physical and intellectual disabilities and supporting their carers.
- improved training and support for Foster and Kinship Carers.
- strategies to support workforce capacity building in the non-government sector.
- a proposal for an industry development strategy for the community sector in NSW.

Department of Ageing, Disability and Home Care (DADHC)

DADHC is funding a \$3 million project to assist NGOs to meet future expanding workforce demands. This two year project with National Disability Services is designed to grow the pool of labour available to government and non-government providers of disability and community care services in NSW.

Department of Community Services (DoCS)

DoCS is delivering the *Non-Government Organisation Training Program* to the NFP sector in areas such as identifying and responding to risk of harm, data collection, case management, alcohol and other drugs, mental health first aid, child protection dynamics, working with Aboriginal children and families, and supervision skills. This program also includes a number of specific sub-projects to assist NFPs.

Housing NSW

Housing NSW is developing an industry development framework for community based housing providers with the aim of supporting the development of the sector and to make the best use of government resources in a period of significant industry change and restructuring. Measures include:

- learning and mentoring program – property development and construction;
- capacity building for accelerated growth;
- self assessment tool;
- shared services; and
- business system and information technology development.

Housing NSW has also funded the NSW Federation of Housing Associations, a peak body, to develop a Workforce Development Strategy to support community Housing providers as their businesses grow. The strategy comprises a study of future workforce requirements, analysis of potential training solutions and a toolkit that includes a range of good practice guides and resources for providers.

NSW Health

More information of the following workforce development strategies can be found in the NGO Support Stocktake at appendix E:

- NGO development strategy for NGOs that provide mental health services;
- Learning and Development Unit arising from NGO development strategy;
- scholarship program for mental health NGO employees; and
- Infrastructure Grants Program for the mental health NGO sector.

Organisational capacity building

Keep them Safe

Organisational capacity building initiatives to be implemented under *Keep them Safe* include:

- Develop, publish and implement a five year plan outlining how the Government will work with the NGOs to build the capacity of NGOs to enable them to take greater responsibility for delivering family and community services in NSW.

Department of Ageing, Disability and Home Care (DADHC)

DADHC has been implementing the following strategies with a focus on strengthening the not for profit sector:

- *It's Your Business*, a management resource manual on governance, financial management, legal, risk assessment and planning guidance and information for NGOs. DADHC has engaged National Disability Services to develop and roll out a comprehensive learning strategy supporting the implementation of *It's Your Business*.
- Financial Management Training and Unit Costing Tool to help service providers develop unit costs accurately.
- Tender Training and Assistance Program to help NGOs prepare quality tenders under DADHC's funding model.
- A standard framework for peak body Funding and Performance Agreements. The purpose of the framework is to achieve consistency in how government agencies in NSW set out the responsibilities and performance indicators for peaks across all sectors.
- Building Capacity - Professional Services for Disability Service Providers Program offering specialist consultancy services from Social Enterprise Consulting to help up to 30 providers improve their governance, planning and organisational performance.

Department of Arts, Sport and Recreation (DASR)

The Responsible Gambling Fund (RGF) has implemented a rolling program of workforce capacity and development and quality assurance initiatives to ensure that gambling help services are sustainable and achieve appropriate standards. Funding supports the delivery of a targeted training program for gambling counsellors and an accreditation program for funded gambling help services.

In the sport and recreation sector, NSW Sport and Recreation delivers or funds other organisations to deliver training and resources/tools to increase the capacity and sustainability of sport and recreation organisations in NSW. Training has focused on corporate governance, coach and official development, reducing barriers to participation and child protection.

Training has also been provided on Best Practice for Charitable Organisations as part of the suite of initiatives and approaches to achieving the objectives related to the regulation of charitable fundraising.

The arts and cultural sector has an inherent skill development component that contributes to workforce development and strengthening organisational capacity. Most arts funding contributes to the activities of organisations that directly contribute to skill development within the sector through their programs and activities. Funding also contributes to peak bodies and core arts organisations that provide explicit support, training and resources that contribute to building the capacity and sustainability of arts and cultural organisations.

Department of Environment and Climate Change

The Environmental Trust's Lead Environment Community Group program funds administration for the lead environment NFPs. This is a direct way to build capacity, as NFPs generally have difficulty accessing administrative funding, which is essential to operate.

The *Our Environment It's A Living Thing Integrated Sustainability Program 2005-2007* explicitly took a capacity-building approach. It funded all costs associated with the project undertaken and related costs of participation in the program, including such things as developing a funded NFP's website to improve its education capability, providing training and professional development for NFP staff, providing support, advice and funding for publishing materials arising from the project, the cost of project and program evaluation and additional research to support ongoing environmental education work of specific NFPs. The quality of the partnership itself was evaluated separately using the internationally-reputed Nuffield Foundation's Partnership Diagnostic Tool. This evaluation showed high levels of satisfaction by NFPs with the partnership arrangements.

NSW Health

All funded organisations of the NGO grant program are required to undertake independent and transparent quality improvement and service review processes. This recognises the importance of quality activities to not only build organisational capacity, but also improve on services for particular client groups.

Improving information sharing

Department of Ageing, Disability and Home Care

DADHC has developed a Service Provider Portal, which is a secure web based application that provides access to a range of information for service providers and opens new channels of communication between service providers and DADHC. The objectives of the Service Provider Portal are to improve the information flow between service providers and DADHC, establish e-business processes and streamline reporting and accountability processes.

Department of Community Services (DoCS)

DoCS has commissioned a significant amount of work designed to assist not for profit organisations to sustain and strengthen their operations, including:

- Service Analysis and Business Development – as part of the expansion of Government funding for preschools in NSW, DoCS funded the development of a resource manual, tools and other templates accompanied by training and tailored support for particular organisations funded through the Children's Services Program.
- Local Community Services Association (LCSA) Capacity Building – DoCS funded the LCSA, a peak organisation representing services funded from the Community Services Grants Program, to provide an intensive, targeted examination of a self-nominated organisation's perceived weaknesses, as well as recommendations and practical support for improvement.
- Costings Manual – DoCS collaborated with interested NFPs to develop a range of costing methodologies to assist these organisations to better understand the structure of their

operating costs. The Costing Manual provides support for the work of negotiating new service specifications with service providers.

- Aboriginal Capacity Building in Out-of-Home Care – In 2006, as part of its strategy to increase the scale and scope of Aboriginal out-of-home care service provision in NSW, DoCS appointed a consultant to work closely with a number of Aboriginal out-of-home care service providers to identify current capacity and potential to expand.

Department of Environment and Climate Change

The Environmental Trust enables all organisations to access a list of the grants it has made along with project descriptions via its website. A list of all grants made is also included in the Trust's Annual Report. The Trust publishes regular case studies in both the Annual Report and online, which outline the outcomes of specific projects. It also implements a significant dissemination program taking successful projects and expanding their impact across NSW or in particular sectors.

The Trust and the Climate Change Fund are also creating comprehensive information resources on their websites, with a range of guidelines, information sheets and case studies, along with links to external resources that can help applicants. Successful projects are placed on the web, along with summaries of the projects. The Trust is exploring utilising the web to allow for mentoring between grantees and for the publishing of project reports, both of which will assist applicants in developing and implementing projects.

Office of Fair Trading (OFT)

OFT actively encourages existing co-operatives to assist and share knowledge with newly formed co-operatives during the initial start-up phase of the organisation. With the consent of the parties involved OFT passes on contact details of co-operatives engaged in similar activities to prospective and new co-operatives to encourage their networking. This has been an effective support tool for not-for-profit groups where they have shared a common goal.

Small community-based associations and co-operatives often do not have the benefit of a qualified management committee or board of directors with a broad knowledge base to guide the activities and direction of the organisation. These positions are very often undertaken in a voluntary capacity and the majority are most often drawn from the local membership. Particularly in associations, there is also often a high turnover of committee members where the knowledge and experience, as well as books and records, are not passed on to new incumbents and many NFP co-operatives and associations do not have established networks with other similar organisations they can draw advice from. One of the improvements made by the new 2009 Act for associations is to require outgoing committees and public officers to hand over all books and records to the new committee/public officer within two weeks.

Through its regional access programs, OFT supports local communities by providing information and education about the establishment and management of co-operatives and associations. An Aboriginal Development Officer is available to assist indigenous groups with respect to incorporation options, or with management of existing organisations. There is also a variety of publications about the management and operation of associations and co-operatives, available at OFT offices or from its website.