



Community Sector Funding Policy

Working Together
February 2004

Message from the Chief Minister

Community Sector Funding Policy

Each year, the ACT Government funds around \$70 million worth of community services. The overwhelming majority of these services are provided by the community sector.

Clearly, it is important that the ACT Government and community service providers enjoy a strong and effective relationship. With this in mind, my Government is committed to working collaboratively with the community sector to build a strong and cohesive Canberra community.

In our consultations with service providers and ACT Government agencies it quickly became clear that the purchaser/provider model was outdated and ineffective. Like other jurisdictions, both in Australia and overseas, we came to the conclusion that consumers of community services would benefit from an approach which was based more on collaboration than competition. We have committed to move towards a relationship with community service providers which is based on partnership.



This new approach is at the heart of the ACT Government's new Community Sector Funding Policy. Other significant reforms include the introduction of three-year funding cycles and multi-year funding arrangements for services that are performing well, a consistent whole-of-government approach to community sector funding, joint professional development and training programs and a focus on improving quality.

I look forward to a closer relationship between the ACT Government and the community sector in the future as we work together to achieve our shared vision of a city in which all people reach their potential, make a contribution and share the benefits of our community.



Jon Stanhope MLA
Chief Minister

Background

The importance of a strong and effective relationship in planning, policy development and management of funding agreements is recognised as having a major influence upon the type and standard of services accessed by Canberrans.

On taking office, the Stanhope Government committed to a review of service purchasing arrangements in order to improve the effectiveness of community/human service provision and viability of non-government organisations providing services on behalf of government, including peak and associated community sector bodies.

Community services worth about \$70 million per annum are funded by government and are overwhelmingly provided by the community sector.

In December 2002, an intra-governmental working group, convened by Chief Minister's Department, began reviewing service purchasing policy and practices in the community sector in order to identify necessary reforms. The Joint Community Government Reference Group informed this work.

The review covered all aspects of the funding relationship between government and the community sector, including policy development and planning; contract specification; the standard contract and schedules; performance monitoring; contract management competencies/training; accountability; and risk management.

Community service funding is required to comply with the Government *Procurement Act 2001*. This means that responsible agencies need to ensure that community service agreements meet the specific requirements of the Act.

In May 2003 the ACT Government released a discussion paper (*From Purchaser/Provider to Partnerships - Working Together to Maximise Outcomes*) for community consultation. The Paper outlined the review findings and a two-stage implementation plan to fund non-government organisations providing services on behalf of government.

The review and consultation findings indicated the need for a move away from the philosophy of the purchaser/provider model to a more consistent partnership approach with the community sector. This reflects recent policy shifts in many other Australian jurisdictions, as well as New Zealand, Canada and the UK. Increasingly governments are taking the view that collaboration is likely to produce greater benefits for consumers of community services than a competitive approach.

The Policy at a Glance

Key elements:

- end of the purchaser/provider model for community services;
- consistent whole of government approach;
- three-year funding cycles;
- multi-year funding agreements for effective service delivery;
- ability to cater for new service providers/entrants;
- joint professional development/training program;
- a focus on quality improvement; and
- flexibility to respond to emerging needs.

Policy Objectives

This policy will ensure the ACT Government is better able to:

- maximise consumer outcomes;
- achieve value for money in community service agreements;
- determine community needs more accurately;
- support innovation and excellence in service delivery; and
- support longer-term sustainability for organisations delivering quality services on behalf of Government.

Meeting the Objectives

The ACT Government commits to:

- fund services with clear and consistent agreements on outcomes, outputs and quality;
- work with the community sector and consumers to develop the most appropriate services and service mix on the basis of identified need;
- contribute to the long-term viability/sustainability of funded organisations in the community sector; and
- contribute to positive and sustainable relationships with community sector organisations.

In order to do this, government agencies and the community sector will collaboratively:

- plan/evaluate sub-sector services;
- manage performance in a consistent way;
- establish an overall basis for funding;
- cultivate a quality improvement culture;
- collect and analyse informative data;
- minimise unnecessary administrative process;
- build a focus on shared responsibilities in meeting community needs; and
- enhance the transparency of decision-making processes.

Strategies to Support the Policy Objectives

Strategy 1

Develop sub-sector plans (“Funding Plans”) consultatively and progressively.

A centrepiece of this policy is the adoption of Funding Plans for bundles of related services on a sub-sector basis. Based on policy and planning information following sub-sectoral review, Funding Plans will provide a systematic link between broad policy directions, planning information, and specific funding decisions, by specifying the optimal mix of service types to meet identified consumer needs.

Consumers and community organisations will be routinely involved in the planning and review processes which government agencies will use to inform Funding Plans.

The framework for Funding Plans already exists in the ACT, through the Procurement Plan template developed by the Government Procurement Board in the form of procurement plans under the *Approved Purchasing Unit (APU) Guideline 2002*. Funding Plans will describe the decision-making process leading to the award of service agreements for multi-year periods (up to three years) for related services.

Funding Plans will provide an administrative mechanism to enable renewed funding approval for multi-year service agreements if a service provider is:

- able to meet priority needs;
- is likely to be able to maintain services for the proposed funding agreement term;
- is actively engaged in quality improvement; and
- currently providing services, that meet all performance measures/funding requirements.

Funding Plans will address the option of directly negotiating with existing providers where consideration of the above issues support such recommendations.

Where new providers become available in a sub-sector, in general consideration will be given to funding the new provider when the Funding Plan and/or Funding Agreements are being reviewed.

Where any new services are to be funded within a sub-sector during the period of an existing Funding Plan, a separate Plan will be developed for that specific service. The option of using an expression of interest (EOI) and/or tender process will be examined in such cases.

The EOI/and or tender process provides opportunities for new priorities or recently demonstrated service approaches to be developed and fosters and supports a culture of innovation in the community sector.

In June 2003 the Government Procurement Board endorsed the first two trial Funding Plans developed by the Department of Disability, Housing and Community Services:

■ **Supported Accommodation**

Assistance Program (SAAP) focusing on short term accommodation and related support services; and

■ **Community Service Program (CSP)**

focusing on the needs of people on low incomes, families and people in crisis.

These initial Funding Plans were supported and developed to incorporate recent policy and planning information, following a sector review process.

Funding Plans will be made public within six months of their approval and government agencies will review Funding Plans in the third year. Relevant stakeholder input, including consumer and community service sector, will be sought to identify any possible improvements prior to developing future Funding Plans for that sub-sector.

Strategy 2

Develop and promote guidelines and provide professional development/training opportunities for government and community sector funding managers to improve:

- **the negotiation of funding agreements (including timelines);**
- **the quality/usefulness of data for planning and review processes; and**
- **overall performance management.**

Previous service-purchasing arrangements have been particularly focused on the selection of providers and establishment of contracts. The Government recognises that greater attention needs to be given to the other aspects of the funding relationship particularly in areas relating to joint training and performance management. Evidence from interstate and overseas increasingly points to the critical links between these elements, if the mutual goal of addressing community need is to be achieved.

This policy will facilitate a consistent whole-of-government approach particularly in the areas of funding management practices, such as interaction with funded services, consistent use of funding agreement schedules, output specifications, reporting arrangements and data collection arrangements.

The guidelines will focus on the joint government-community sector commitment to maximise consumer outcomes and will reflect that consumer outcomes are maximised by a strong and sustainable community sector.

Guidelines and training will also attempt to rationalise the multiple quality standards and processes that community organisations are required to meet. A common framework for use of standards in self-assessment, improvement and external review will be developed and link with performance management of funding agreements.

Training opportunities will outline models of best practice which have demonstrated processes /mechanisms which:

- focus on quality consumer outcomes;
- improve consumer input to needs assessment and service evaluation;
- lead to well targeted, relevant and shared performance reporting data; and
- minimise compliance costs.

Following the development of a joint professional development/training program, it may be beneficial to issue an ACT Government Procurement Board Circular on Community Services to raise awareness of the move away from the purchaser/provider model to multi-year, sub-sectoral funding arrangements.

Strategy 3

Develop and publish a framework to outline core pricing-principles and revise/update service agreements to reflect:

- **the specific nature and value of funded services; and**
- **clear and balanced accountability in the funding relationship.**

The aim of this strategy is to develop an agreed framework, collaboratively with representatives from the sector, which provides a broad pricing approach for different types of community sector funding.

Implementation of Strategies one and two will increase transparency and consistency in government funding practice. However other more explicit accountability mechanisms are also required.

The multi-year funding agreements under the sub-sector Funding Plans is the first stage in the progressive development of this framework aimed at ensuring that there is a transparent process in place for community sector funding arrangements.

Service specifications will have a greater emphasis on quality improvement expectations and funding agreement outputs will be:

- relevant to the broader program outcomes sought;
- practical and proportional in terms of the service/funding to be provided;
- readily measurable, without unreasonable compliance costs;
- effective in minimising risks to the Territory and consumers; and
- as far as possible, standardised across government for similar services.

Monitoring

Government agencies will remain ultimately responsible for Funding Plans and individual Funding Agreements on behalf of the broader ACT community. The Joint Community Government Reference Group will monitor and provide advice on the broad implementation of the strategies and effectiveness of this Policy.

Both the Government and the community sector are entitled to be informed of any concerns the other has about funding relationships, reflecting the same principles that should apply at individual service agreement level.

Government agencies need to have a strong understanding of the nature of the organisations they fund to deliver community services. More specifically, because service agreement management is core business, line departments will demonstrate:

- an organisational culture committed to high quality funding/service agreement management; and
- sound systems related to, and integrated with, funding/service agreement management (including planning, quality assurance, service agreement negotiation and drafting, monitoring and evaluation, and relationship management).

Chief Minister's Department will coordinate a Community Service Agreement Network to effectively link government and community sector staff with others who have:

- strong skills in negotiating and managing service agreements; and
- knowledge in the broader context of the community sector and its policy environment.

Attachment A

EXPECTED OUTCOMES

Enhanced Government and community sector partnerships –

The move away from the philosophy of purchaser/provider to fostering multiple partnerships is reflected in the title of this Policy – *Community Sector Funding - Working Together*.

The Policy reflects the ACT Government's commitment to work in partnership with the community sector, while remaining within the ACT Government Procurement Framework. This reflects recent policy shifts in most other jurisdictions, as well as New Zealand, Canada and the UK.

A consistent cross-government approach

Standardising the way line agencies approach the funding relationship, as far as practical; (e.g. moving to three year contracts as the norm), common output specification and performance measures for similar services will assist in reducing transaction costs for both community sector and government.

Clearer links between policy/planning and funding

The widespread adoption of Funding Plans, will allow bundling of funding agreements on a sub-sector basis (e.g. youth services, disability services, HACC services) for procurement purposes. They will also provide a systematic link between broad policy directions and planning information,

and specific funding decisions, by specifying the optimal mix of service types to meet community needs.

Improved accountability and data collection

Performance reporting will be standardised as far as possible to ensure it is useful to both parties and proportional to risk and value. Information will be used not just for assessing individual service performance, but aggregated to help identify need and feed back into the planning/funding cycle.

The Joint Community Government Reference Group will provide advice on the development of guidelines, associated professional development/training sessions and oversight of implementation.

A stronger focus and more systematic approach to quality and outcomes

Better information about quality is critical for sound funding decisions. To date, *price* has often been the default criterion, where information about *value* was lacking. Much developmental work has been undertaken in the last few years, including the launch of the generic standards package for community services – *Raising the Standard* – in late 2002. Several human services areas have national standards, however there remains a strong need to improve the understanding and practice on quality service delivery.

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