



**Department of Community Services (DoCS)
Funding Policy**

Research, Funding & Business Analysis Division

August 2005

Preface

This Funding Policy sets the broad directions for funding reform DoCS will pursue in funding community services. The Department has been extensively involved in supporting community services with funding assistance since the mid 1970s and this role has grown substantially since the budget enhancement to DoCS in 2002 and the transfer of a substantial suite of funded community services from a number of other Departments in 2004. As a result DoCS currently funds 1,850 organisations for over 3,500 projects to the value of approximately \$500m per annum. This represents over 50% of DoCS' budget. Both the total dollar value and percentage of the DoCS budget spent on funded services will continue to increase until the finalisation of the roll out of the 2002 enhancement funds in 2007/08.

As with any use of public funds, the Department is required to ensure that appropriate policies and practices are in place that will result in funds being used to achieve the best possible client outcomes with the available funding. Furthermore, a number of DoCS funding programs are underpinned by legislation (for example the Supported Accommodation Assistance Program is governed by the *Supported Accommodation Assistance Act 1994*) and it falls to the Department to ensure that these programs are administered in a manner that is consistent with and gives full effect to relevant legislation.

The policy outlines the principles and practices for achieving these objectives, the overall approach to funding, and the main stages of the funding process. This policy will replace the previous DoCS funding policy entitled ***Purchasing: a Partnership Approach*** while maintaining the main concepts that were found to be productive in that policy.

DoCS provides funding assistance to a wide variety of organisations under a diverse range of programs and activities. This policy does not aim to prescribe detailed funding arrangements and processes for these programs and activities but sets out the broad aims, principles and directions for practice that will be progressively implemented over the next five years.

The new directions described in this policy will be applied to the roll out of the new funds DoCS received from the 2002 budget enhancement in the first instance. However it is the Department's aim to progressively review all funding practices in line with the new directions and apply them to established funding programs over time.

DoCS acknowledge that flexibility will need to be employed in the implementation of this policy while we steer a clear course towards improved outcomes for funded services. More detailed operational guidelines will be developed for field and program administrative staff within DoCS as well as tools and resources for funded services that will give effect to this policy when completed.

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Director-General

Acknowledgements

In the lead up to the development of the DoCS Funding Policy, both internal and external stakeholder groups were consulted to obtain comment and feedback on the proposed funding reform agenda which was presented in the form of the 'Framework' paper – a precursor to this document. The feedback and input from stakeholders were instrumental to the refinement and development of the reform directions, and to the subsequent development of this policy.

We thank and acknowledge the valuable contribution of the time and expertise of our internal and external stakeholders in assisting us to refine our reform agenda and develop this funding policy.

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1. Vision

DoCS' overall vision for its funding programs is to achieve the best client outcomes with the available funding, through rewarding enhanced performance and better sharing of responsibility for managing service delivery and service risks with service providers.

The funding framework is underscored by the following principles:

- a focus on outcomes for clients and communities
- greater flexibility for service providers in integrating services and matching them to clients
- better management of service risks and sharing of management responsibility
- value for money and use of savings to improve services
- longer-term funding (where appropriate)
- accountability for funding
- rewards for enhanced performance
- consistent yet flexible processes and practices.

Achieving the vision and applying the principles will require a major change to the way services are currently funded and delivered by both DoCS and service providers. It will require a fundamental shift from a system that focuses largely on inputs, processes, prescriptive accountability mechanisms and largely DoCS-controlled service system design to one that emphasises outcomes, flexibility, and a greater role for providers in service system design.

It will require breaking away from prescriptive service delivery models, business procedures and reporting arrangements. It will require greater focus on understanding key determinants of better performance and encouraging creativity and innovation in service provision. It will necessitate a better understanding of service demand and supply, effectiveness of different services in achieving outcomes, cost structures associated with different services and ways to reconfigure services to get better outcomes with the available funding. It will need to employ more stable funding and incentive-based approaches where savings achieved are directed to improving service quality or expansion of priority services and/or innovative models of service provision. It will also need to be underpinned by sound performance-based contracting arrangements, simple but effective performance monitoring systems, and improved documentation and analysis of trend data.

2. DoCS' Funding Programs

The size and complexity of DoCS' funding programs are significant and have evolved considerably over the past several decades. In 1992/93 the Department had 4 funding programs with a renewable funding base of \$192.3

m¹. In 2005/06 the Department's budget for funding programs will be close to \$500m² and include 21 separate funding programs³. The estimated funding for DoCS funding programs in 2007/08 is close to \$600m. Table 1 reflects the full range of support provided to individuals through a number of different external funding arrangements.

Table1: Program Funding Allocations by DoCS main Funding Programs 92/93 – 07/08

Program	1992/93	1996/97	2005/06
Children's Services Program (CSP)	\$69.3M	\$85.4M	\$101.502M
Community Services Grants Program (CSGP)	39.5M	46.2M	\$74.228M
Supported Accommodation Assistance Program (SAAP)	\$69.7M	\$78.0M	\$114.857M
Out-of-Home Care (OOHC) ⁴	\$13.8M	\$27.8M	\$119.621M
SUB TOTAL	\$192.3M	\$237.4M	\$410.208M
Early Intervention Program (EIP)			\$38.003M
Community Solutions Fund			\$13.145M
Alcohol & Other Drug Programs			\$4.149M
Families First (FF)			\$28.686M
Better Futures			\$4.559M
Aboriginal Child Youth and Family Strategy			\$4.041
Other Aboriginal Programs (incl. Aboriginal Affairs Plan + IFBS)			\$2.785M
Area Assistance Scheme			\$10.526
Other Programs (incl. youth policy and community builders)			\$1.042
TOTAL	\$192.3M	\$237.4M	\$517.144

As can be seen from this table the growth in the Department's funding programs has been significant reflecting both an increase in investment in the four traditional DoCS funding programs as well as the new EIP and the range of funding programs transferred from other government departments. The highest funding increase has been in the OutofHome Care (OOHC) Program that reflects a number of developments including the government's response to the increasing complexity and size of the target group with the provision of additional funding. The other major increase in funding level is the establishment of the Early Intervention Program through the 2002 DoCS enhancement funding which will enable the development of a range of support services to vulnerable children and families to prevent them from entering the child protection and out-of-home care systems.

DoCS funding programs now encompass a broad array of funding streams, activities and processes as well as a diverse range of target groups that cover the spectrum of community services. (Appendix 1) The Department provides

¹ Source: **Funding NGOs – Draft Policy Guidelines 1996**

² Source: DoCS Financial Services

³ See **Appendix 1** for an overview of DoCS funding programs

⁴ This includes OOHC Program Funding, ICAs, Quarterly Bulk Payments to Agencies, and FGH retainers. These figures do not include allowances and contingencies.

funding for broad community strengthening activities such as the Community Solutions Fund through to highly targeted programs such as the Violence Against Women Strategy. Some programs provide coverage throughout the State while others are focused on assisting particular communities be they geographical, such as the place management projects in Cabramatta and Canterbury/Bankstown or targeted towards an identified community such as Aboriginal-specific programs. Some programs such as Supported Accommodation Assistance Program (SAAP) are joint Commonwealth-State Programs and are administered within the parameters of the Supported Accommodation Assistance Act 1994 and the Commonwealth-State SAAP Agreement.

The range of services that DoCS secures through its funded programs includes:

- information and referral
- community education and prevention
- community capacity building
- care and support
- counselling and therapeutic support
- case management and coordination
- group work and education programs (eg parenting education)
- accommodation and residential care
- emergency/disaster recovery and relief
- financial support and brokerage
- infrastructure support
- service system development and support
- place management

Together DoCS funding programs make up a complex funded service system and establish DoCS as the largest funding body of community services in the country.

3. Partnerships and Linkages

DoCS funding programs, despite their size, do not exist in isolation—they are part of a greater community service system and are inextricably linked with the non-government community services sector as well as the planning and funding activities of other government departments. DoCS funding programs need to be well linked to the Department's core business of community capacity building, early intervention and child protection and out-of-home care.

The Productivity Commission's **Review of Government Service Provision Report** (2005) refers to the significant contribution made to community services by a range of providers—the government, not-for-profit and for-profit sectors employing approximately 340,000 people across Australia and another 299,400 volunteers.

The not-for-profit community sector has had a long history of significant contribution to community services not only in terms of service provision but also in the areas of planning, policy debate and social advocacy. This sector also makes its own significant investment in service provision through financial investment, infrastructure and volunteerism. The Non-Government Organisations (NGOs) have been a partner with Government in a range of social and community building objectives and this has been formally recognised through the development of the ***Working Together for NSW – An Agreement between the NSW Government and NSW Non-Government Human Services Organisations***.

More recently the private for-profit sector has also emerged as a significant player in the service system (or market) especially in the Children's Services and Out-of-Home Care programs. In principle, for-profit organisations can also deliver effective services that meet the needs of DoCS' clients at competitive prices. In so far as they provide quality services they should be legitimate participants in contestable processes for the allocation of new community services funding.

There are key links between direct government services and funded services. The performance of funded community services influences the outcomes for clients of government services and vice versa. For this reason DoCS' partnership with the non-government sector is vital to effective desired outcomes for clients and communities.

Another important partnership that has become more formalised in recent times is that with other NSW Human Service Departments. This is evidenced at the highest level in the now well-established Human Services Chief Executive Officers forum and at the local level where joint planning for funded services has become more commonplace. The *Families First* Program (among others) is an example where Regional Officers Groups jointly perform the planning and purchasing functions for a cross agency program. Good coordination of planning and service development activities across government departments enhances integrity and effectiveness of the whole community services system that directly impacts on the quality of client outcomes.

4. Strengthening the Service System

4.1 Overall Approach

In its funding practices DoCS will aim to support and strengthen the diversity of the community service system as well as partnerships and linkages

between providers. DoCS funded service providers come under three broad categories—not-for profit non-government services, for profit, private services and government providers—usually State government human services and in a smaller number of cases, local government. Each of these sectors has a valuable role to play in the provision of funded community services and together they provide a significant and varied service infrastructure.

Over several decades, NSW funding practices have changed to reflect national and international trends of introducing more contestable and accountable approaches to the provision of funded community services. New funds are most often issued through select or open Expressions of Interest. This has firmly established contestability as a means of promoting value for money and ensuring that best placed providers are selected to undertake specific projects. All three sectors have risen to this challenge and have become more adept at competing for the funding dollar. While DoCS remains committed to a high level of accountability in its funding practices, this does not mean that contestability and competition will be the only drivers that will shape the future of the market. Rather DoCS will take a 'managed market' approach which ensures that all three sectors continue to be able to participate in the market while no one sector dominates the market. Furthermore, DoCS will encourage different service providers and sectors to join together in the provision of better integrated and more effective services.

An example of this is the 2005 Early Intervention Expression of Interest. In this project DoCS encouraged services to work in partnership in lodging Expressions of Interest and all three sectors were eligible to participate. In case of consortia, priority was given to not-for-profit organisations as lead agencies in recognition of the significant experience, skill level and infrastructure that this sector brings in providing services to the target group. For-profit services, however, would be able to be lead agencies in areas where there was insufficient coverage or interest from not-for-profit providers. This provides for-profit private providers with the opportunity to develop skill and infrastructure in providing services to this specific target group.

There are instances where DoCS is purchasing services from other state government departments (for example from the Department of Education and Training for Schools as Community Centre projects within the *Families First* Program). There are also examples where DoCS funds local government for a variety of community building and children's services activities. Such arrangements may continue in the future and government departments may be eligible to apply for new funding in certain circumstances. DoCS however will not fund other government agencies for any service or activity that constitutes that agency's core business. In the first instance this will be applied to new funding but over time DoCS will review its historical funding programs to ensure adherence to this principle and take action to ensure all funding programs are administered in accord with this principle.

In some instances private for-profit organisations have taken up the provision of individual services for high needs children and young people in out-of-home care. This developed largely in response to the pressing needs of this target

group that were not able to be met quickly within the service system at the time. In future DoCS intends to approach all system growth in a planned and coordinated manner especially for its most vulnerable clients such as children and young people in out-of-home care.

4.2 Service Coverage in Rural and Remote Areas

For a variety of reasons maintaining service coverage in rural and remote areas has been challenging to funding departments. The service infrastructure in these areas will be considerably strengthened by the establishment of new services or the extension of current services through the enhancement funds in the early intervention and out-of-home care programs. This may involve local services in rural and remote areas forming partnerships with metropolitan-based services that are interested in extending their geographical coverage.

DoCS will consider the issues of rurality and remoteness in the development of service models and in the costing of services through the Costing Manual Project. In addition DoCS will work with service providers, communities and other funding bodies to identify the barriers to appropriate service coverage in rural and remote areas and develop specific strategies to address this.

4.3 Promoting the Viability and Capacity of Small Service Providers

DoCS renewable funding programs that make up the bulk of DoCS' funding budget (OOHC, CSGP, SAAP, CSP and FF) are provided by approximately 1700 organisations through some 3,600 projects⁵. The total funding to organisations for the programs mentioned above ranges from less than \$50,000⁶ per annum to \$18m per annum, with around 500 of the 1700 organisations receiving funds at the lower end of the range.

The Productivity Commission categorises a service in receipt of up to \$1 million per annum as a small organisation and a service in receipt of up to \$100,000 per annum as a micro-organisation. Although some DoCS funded organisations receive funding from other funding bodies and have alternative sources of revenue, many do not. Although data is not available on this, it is safe to assume that a significant percentage of DoCS funded organisations vary from micro to small in size and this is confirmed regularly to DoCS by anecdotal feedback from the sector.

At the other end of the spectrum DoCS provides 20% of its total funding budget to only 10 large organisations which have a significant infrastructure and presence in the marketplace. By contrast to the very small and very large organisations, medium sized organisations are relatively few in the DoCS funded service system. Organisations in receipt of funding between \$2m and \$10m per annum (approximately mid range) constitute only 0.8% of the total number of organisations that DoCS funds.

⁵ Grants Administration System (GAS) data, May 2005

⁶ This number is made up largely of childrens' services which also have separate non-government income streams.

Despite their many strengths small organisations often struggle to meet the many demands required of community services providers, increasingly complex client needs as well as increased pressures of insurance and occupational health and safety requirements. Given that they comprise the majority of the Department's service system there is a pressing need to provide further support and development to these services as well as creating opportunities for them to form alliances with larger organisations.

Small organisations may benefit by joining together and forming medium sized entities either permanently or for specific projects. Small services especially tend to have less capacity to compete in funding processes and may require specific strategies to assist them to participate.

In addition to the profile of DoCS service providers being skewed in favour of small services, the profile of DoCS funded projects in the major funding programs is also skewed in favour of small projects. Of the total number of projects registered in DoCS Grants Administration System (n3699) in April 2005, almost 45% (n1654) were funded at less than \$50,000 per annum. Another 31% (n1146) were for projects funded at over \$50,000 per annum but less than \$100,000. Table 2 sets out the details.

Table 2: Funding to projects for OOH, CSGP, SAAP, CSP, EIP and FF by funding range per annum and number of projects, April, 2005

Funding Range	Number of Projects & Percentage	
Less than \$50,000	1654	(44.7%)
\$50k - \$100k	1146	(31%)
\$100k - \$250k	611	(26.6%)
\$250k - \$500k	231	(6.2%)
\$500k - \$1m	43	(1.2%)
\$1m - \$2m	13	(0.4%)
\$2m - \$5m	1	(0.03%)
TOTAL	3699	

As can be seen from Table 2, 76% of DoCS funding projects are extremely small—able to fund little more than half or a whole worker position. This points to a fragmented service delivery framework consisting largely of small individual projects. Such a framework is inefficient to administer as the accountability procedures for small projects are often similar to that for large projects, and there is a disproportionate administrative burden on small projects. Also, a large number of small projects may be more difficult to integrate into a sustainable and viable service system than a smaller number of larger projects. There is a need to review the current project configuration within each of the DoCS renewable funding programs and to work with service providers towards achieving more substantial projects in line with the

strategic directions of each program and the planning framework of each Region.

4.4 Promoting the Viability and Capacity of Services for Aboriginal Peoples and Torres Strait Islanders and for Culturally and Linguistically Diverse Clients and Communities

A valued element of DoCS' diverse funding system is that people of Aboriginal and Torres Strait Islander and Culturally and Linguistically Diverse backgrounds have opportunities to receive services from people and organisations that are specifically identified as being from the same culture. DoCS funds 278 specific Aboriginal and Torres Strait Islander services, and 183 specific Culturally and Linguistically Diverse services.⁷ In addition, in culturally diverse communities, DoCS identifies service access to Aboriginal people or people of Culturally and Linguistically Diverse background as priority target groups in the service specifications of many generic services.

Most Aboriginal and Torres Strait Islander and Culturally and Linguistically Diverse organisations are small service providers and some face the additional challenges of being located in rural and remote areas. DoCS-funded Aboriginal and Torres Strait Islander-specific services face viability issues more often than other services. DoCS is currently working with NCOSS on an Aboriginal Capacity Building Project for Community Services Grants Program (CSGP) Aboriginal and Torres Strait Islander services. The aim of this project is to provide Aboriginal community-based organisations with opportunities to be mentored by larger, more established providers with the aim of strengthening their viability and capacity. The learnings from this project will be important in developing strategies to support small Aboriginal (and other services). Concurrently DoCS will work with service providers and peaks to strengthen Aboriginal and Torres Strait Islander and Culturally and Linguistically Diverse identified services.

5. Program Guidelines, Service Specifications and Funding Plans

With the transfer of a number of funding programs from other Departments the total number of DoCS funding programs including grants programs has increased from four to over twenty one programs (see Appendix 1). Many of the programs now overlap with respect to the types of service activities they provide and target groups. For example family support type activities (including case management and coordination, home visiting, parenting groups and programs) are provided through CSGP, *Families First*, Early Intervention, Better Futures, Intensive Family Based Services and in some cases through SAAP. It makes good sense to group like services together to strengthen linkages between services, avoid overlap and duplication and better utilise the funding dollar. This doesn't mean that similar funding programs will be amalgamated into a single program—programs may have

⁷ Source DoCS Grants Administration System (GAS) April 2005

valuable individual features that are worth preserving. It may mean however that these programs are grouped together under an umbrella program.

The DoCS Corporate Plan 2004/05 – 2008/09 presents a Results Logic Diagram that maps out the range of outcomes required to achieve the overarching corporate goal that children, families and communities are safer, healthier and more resilient. The DoCS funded services system design needs to be brought into closer alignment with the Results Logic Framework so that funding streams have a clear connection to service groups and identified client and community outcomes.

Based on the new service groups, a set of program guidelines and standardised service specifications will be developed for each funding program (or reviewed if they are already in place, if required). Program guidelines articulate the purpose and parameters of a program and ensure that DoCS as the funder, the service provider as well as service users and the community are clear about what is being funded and why. Program guidelines will include:

- policy directions
- program definition
- objectives
- outcomes
- target group
- program boundaries
- evidence base—where appropriate
- legislation
- related policies or programs
- linkages with other programs and activities with government departments –where appropriate
- identification of data collection strategies ie MDS
- performance measures.

The approach to developing meaningful performance measures as well as the means for collecting them will be one of continuous improvement. DoCS will incrementally refine and improve its performance measurement in funding programs in partnership with the sector over time starting with base line measures and building complexity of data, measurement and reporting at a manageable pace.

While program guidelines provide a high level description of each program, a more detailed document – a standard service specification - will also be developed that will provide a greater level of detail about what is being purchased, fleshing out the menu of service activities for each funding program. The standard Service Specification will form the basis on which

Service Level Agreements will be developed with each service and for each project within a funding program. The standard Service Specification and the Service Level Agreement will form attachments to the DoCS Funding Agreement.

For each service group and program with renewable funding, DoCS will develop a comprehensive Funding Plan based on policy directions and program guidelines, trends in demand and service capacity and economic modelling. The Program Funding Plans will specify the nature of services required and funding available for these in each planning area and form the broad framework for Regional planning and funding cycles. Priority will be given to the development of Funding Plans in programs with the greatest level of additional funding - namely OOHC and EI - but over time, Funding Plans will be developed for all DoCS renewable funding programs. The development of Funding Plans at both the Statewide and Regional levels will be linked to current whole-of-government planning and funding processes.

6. Funding Options

In order to ensure the DoCS funding processes select the best placed provider to deliver the service required, the Department will continue to employ a range of funding options from the most contestable EOI processes, to direct allocation to a service.

Making a decision about which funding option is most appropriate requires consideration of a number of factors. These factors include the number of agencies interested in providing the service, the number of agencies with the capacity to deliver the outcomes being purchased, the Department's existing knowledge of the market in a particular service area and the length of funding involved.

The range of funding options and the circumstances when each option is most appropriate are described below.

6.1 Expression of Interest Process

An Expression of Interest (EOI) process can be used to establish preliminary interest or short-list and pre-qualify potential service providers for future service negotiations. An EOI process may also be appropriate where there are formal requirements for a contestable process including specific legislative or administrative requirements and Government priorities that either do not limit contestable approaches or require contestable approaches.

Adopting an EOI process may also provide an incentive to existing providers—through the potential of alternatives - to improve the quality, effectiveness, and efficiency of the service, or reduce the price. However, using an EOI cannot guarantee that every capable potential provider is reached. An EOI may not be necessary to adequately identify all providers who can realistically

provide the service. It may be unnecessarily costly in terms of time, money, and generating unrealistic expectations.

An EOI process may be conducted in one or two stages.

6.1.1 A Two Staged EOI

A two-staged approach can be helpful where the purchaser needs to learn more about the market and the capacity of providers to satisfy the procurement need. It is also useful for services in that ideas for service provision can be submitted without the need to provide extensive detail up front.

Where a two-stage approach is adopted the first stage is a preliminary call for expressions of interest and is followed by a request for proposals from a selection of applicants who have met the initial selection criteria.

It is appropriate to use a two-stage EOI process where:

- the procurement is complex and services being procured are high cost
- more knowledge is needed about the service models available, their costs or the potential market - capability and value for money is unknown and needs to be tested
- the costs of running a two-staged EOI process are acceptable
- the Department is seeking to encourage service providers to develop innovative models of service provision that respond to the identified needs of clients.

6.1.2 A Single Staged EOI

A single staged EOI requires that services submit fully detailed and costed proposals. Using a single stage, rather than a two stage EOI may be more appropriate when:

- services being procured are well-established with clear service models
- there are a number of potential new providers, in addition to the pool of known providers
- the geographic coverage is limited (local projects)
- the cost and time to undertake a two-stage EOI is not warranted
- the program in question is a grants program with a limited funding amount and limited time in which to administer the process

6.2 Selective Tender

A selective tender is where a limited number of providers are invited to submit proposals. It is appropriate to use a selective tender process when:

- the knowledge of the market is good and a limited number of providers have the capability required to provide the service
- a selective tender is likely to produce the same result as an EOI
- the geographic area for the service is smaller—for example a particular community within a region
- performance of known providers is satisfactory
- there are time constraints and it is important the service is established and operating as soon as possible
- selection of a service provider may be contentious, but this can be resolved through a restricted competitive process

6.3 Direct Negotiation

Direct negotiation, where an approach is made to only one potential provider can be an appropriate and efficient purchasing strategy when:

- only one provider is known to have or to be able to develop the skill set required
- a provider with the necessary skills exists
- there is an urgent need for the service to be established and operating
- the cost to administer a selective tender would be a large proportion of the total project costs
- the service being purchased is for a particular community requiring specialist local or cultural knowledge that the provider has
- there are strategic considerations, such as where regional planning has identified the need to expand the existing capacity of one or more providers with proven performance
- competitive purchasing options have been exhausted and an appropriate provider has not been identified

Direct negotiation is appropriate where there are no specific legislative or administrative requirements for a contestable process and funding has been allocated to a particular project or to enhance an existing service.

6.4 Performance Managed Renewable Funding

There are many situations where the best value-for-money will be achieved in the most administratively efficient and cost-effective way by renewing an existing Service Agreement. Funding can be renewed where performance management and needs-based planning processes demonstrate that a provider is:

- continuing to meet the identified need
- meeting the agreed service specifications and contractual requirements
- operating efficiently and effectively, and

- actively engaged in continuously improving services to provide the best possible service

In addition to the funding options outlined above DoCS may also undertake consultation with service providers to establish their growth potential and investigate their interest in extending their services to areas where there are service gaps—either in service type or geographical coverage. Direct funding approaches may be appropriately used in such circumstances as well as the employment of a range of incentive mechanisms to attract new service providers where there are gaps. Such incentives may take the form of giving preferences to providers who are willing to address addressing service gaps in certain localities or for certain services or front loaded contracts to facilitate initial investment.

DoCS will need to consider the capacity of an agency or consortia to accept and integrate new funding streams and additional functions to ensure that agency capacity and infrastructure is not overloaded causing the existing focus, performance quality and administrative structures of organisations to fracture or be negatively impacted.

6.5 Contracting Strategies

Contracting processes need to ensure compliance with the requirements of legislation, probity and good governance. However, an overly legalistic and prescriptive approach to the contracting process needs to be avoided so as not to inhibit service provider interest or cause excessive transaction costs. Clearly written service agreements (together with service specifications and service level agreements) will be in place that focus on outputs and outcomes rather than inputs. While the aim will be to continue to use standard service agreements and standard service specifications, in some circumstances there may be a case for adjusting contract conditions to service provider requirements. Such circumstances will be identified and standardised adjusted contractual clauses to deal with them will be developed.

Service agreements also will be negotiated for longer periods where appropriate (up to five years) with options for renewal for well performing service providers. Longer service agreements significantly contribute to the stability of the service system and allow providers time to develop service quality, however they will require appropriate escalation clauses. As service specifications are developed (or reviewed) wherever possible and appropriate the length of the service agreement will be extended. For example, CSGP services may continue to move from one to three-year service agreements and OOHC services may move from three to five-year service agreements.

7. Accountability and Performance Management

The Department is accountable to the Government for the provision of services through its funding programs. This means that DoCS must be able to demonstrate that:

- funds are used in an efficient, effective and appropriate manner, consistent with Government priorities and community needs
- funds are used in a manner that represents value for money, and
- funds are properly accounted for with adequate safeguards in place to prevent misuse of funds

DoCS currently has a range of accountability and performance management strategies in place ranging from standardised service agreements for renewable funding programs to reporting against service specifications in some programs and a standards framework in programs such as SAAP. The extent and quality of the Department's data holdings and reporting mechanisms are variable across programs. A more standardised and streamlined approach to performance management that is based on a core set of performance measures, random audits and effective remedial action will be employed. To this end DoCS will develop a coordinated quality performance management system that will be supported by automated data collection wherever possible. DoCS' current monitoring efforts and their effectiveness will be reviewed in this process.

Service standards are a key component of performance management. Currently, only some of DoCS funding programs have service standards, but this gap will be addressed by the development of the DoCS Quality Service Standards.

Rather than developing different standards for each program, DoCS in partnership with sector representatives, has developed a common set of generic standards that could potentially apply across its funding programs. This approach will promote consistency and will streamline the administrative and reporting requirements of services receiving funding through one or more program. The DoCS Standards for Continuous Quality Improvement are based on the Human Service Organisations Quality Framework – a generic framework identified from the analysis of 2000 human services standards in Australia.

The focus of the DoCS Standards is on ongoing quality improvement and organisational development, rather than a more burdensome quality assurance approach. The DoCS Standards will be implemented in the first instance with SAAP and then CSGP. In the two programs where the level of risk has been assessed as high - Children's Services and Out of Home Care the quality assurance systems currently in place will remain. These are the Office of the Children's Guardian's accreditation process in OOHC and a regulation and licensing system for Children's Services. DoCS will work with the Office of the Children's Guardian to develop a cross-recognition system between the DoCS Quality Service Standards and the OOHC Standards so that the administrative requirements of services funded under multiple programs are lessened.

An effective performance management system does not have to mean onerous reporting and data collections. Performance monitoring and

associated processes will be as streamlined as possible and proportional to the level of investment in the service. As far as possible performance management will be based on the service provider's own performance management and quality improvement systems with validation from random sampling and public dissemination of performance information. The maintenance of effective and productive relationships between DoCS and service providers is critical to the success of performance monitoring and improvement as is the provision of information back to service providers to assist with their own continuous improvement strategies.

8. Implementation

The implementation of this funding policy, will require a move from a system that focuses on historically determined investment patterns and uneven accountability mechanisms to one that emphasises strategic investment outcomes and streamlined yet rigorous accountability mechanisms. This will require a significant shift in current approaches, practices and systems. It will need to be supported by an ongoing dialogue with the service provider sectors as well as the development of implementation support strategies and tools and in some cases, training to providers. DoCS own funding staff will also need support and training as well as a range of tools, systems and supporting documentation.

Given the considerable effort required, it will not be possible to implement the changes in direction in a short time frame. It is envisaged that implementation will take place over a number of years with some aspects being able to be put in place more quickly (such as training programs) and others less so (for example better articulation of outcomes and improved data systems). However the overall approach and principles will be put into practice as far as possible and will be integrated into all new funding rounds such as those for OOHC and EI programs.

DoCS will implement this policy in partnership with the sector and in close communication with service providers and peaks. No doubt as implementation proceeds, new issues relating to funding will come to light that will need to be addressed and implementation strategies may need to be modified from time to time. DoCS will keep service providers closely informed on the progress of implementation. Furthermore, implementation of this policy is not a single strategy—it will involve a range of projects some of which will involve working groups (such as that for the Costing Manual Project) or the development of separate discussion papers and implementation plans. DoCS is looking to service providers and peaks to work alongside us in these endeavours and will from time to time ask for expression of interest to serve on working groups as well as seeking comment on various papers and strategies that will be developed.

Appendix 1

Attachment 1. DOCS FUNDED PROGRAMS: ACRONYMS, NAMES AND DESCRIPTIONS

Program Acronym	Program Name	Program description summary
1 CSGP	Community Services Grants Program	The Community Services Grants Program (CSGP) aims to assist all people in NSW to live in a just society and to participate in strong communities that cope effectively with change and promote safety, welfare and wellbeing. This includes funding for individual and family support services, community development services, neighbourhood and community centres, youth support services and some child protection services, as well as services for Aboriginal and Torres Strait Islander and ethnic groups
2 SAAP	Supported Accommodation Assistance Program	The Supported Accommodation Assistance Program (SAAP) is a joint State/Commonwealth initiative that provides funding for more than 400 services to help people who are homeless or at risk of homelessness.
3 OOHC	Out-of-Home Care	Where children and young people have experienced significant harm or for some other reason cannot live at home, DoCS may provide, or help arrange, accommodation, care or other forms of support.
4 CSP	Children's Services Program	Funds services for children from birth until start of formal schooling including preschool, long day care, occasional care, mobile services, family day care and home based care
5 EIP	Early Intervention Program	Objectives are to identify families not yet in the serious end of the Child Protection system, but who are vulnerable and may end up in the statutory system if early action is not taken. Services funded include - Child care, Home visiting, Case management and supported playgroups.
6 AODP	State Alcohol & Other Drugs Program	Funding for innovative prevention and early intervention services that strengthen and support communities, families and individuals in relation to drug and alcohol misuse
7 FF	<i>Families First</i> Program	<p>The <i>Families First</i> Strategy provides a framework for improving outcomes for children 0-8 years in NSW. FF is aimed at improving the health and well being of children, their families and communities. The strategy relies on government and non-government services working differently together and with communities to plan and develop more responsive coordinated services, both new and existing. The strategy has the following identified objectives:</p> <ul style="list-style-type: none"> • Healthier children, young people and parents • Better functioning families

Program Acronym	Program Name	Program description summary
		<ul style="list-style-type: none"> • Children who are better prepared to learn and develop when they start school • Keeping children and young people at school and improving their education attainment • Reduction in the conditions that lead to mental health problems in children and that lead to child abuse and neglect • Improved recognition and early intervention for post natal depression and other health and parenting issues faced by new parents • Reduction in risk factors for young people and better meet their needs • Communities better equipped to bring up children • Reduction in juvenile and adult crime.
8 BFP	Better Futures Program	<p>Better Futures is aimed at increasing coordination and planning for young people across health and community services. The strategy relies on government and non-government services working differently together and with communities to plan and develop more responsive coordinated services, both new and existing. The strategy has the following identified objectives:</p> <ul style="list-style-type: none"> • Strengthened connections between communities and families • Better functioning families • Improved well being of young people and their participation in communities • Keeping young people at school and improving their educational attainment • Reduction in risk factors for young people and better meet their needs • Reduction in juvenile and adult crime
9 ACYF	Aboriginal Child, Youth & Family Strategy	<p>The Aboriginal Child, Youth and Family Strategy (ACYFS) has been developed and funded in order to better support Aboriginal children and young people, their families and communities.</p> <p>ACYFS aims to improve outcomes for children and young people from 0-18 years and shares similar objectives to that of <i>Families First</i> and Better Futures. The initial focus for ACYFS has been to develop a partnership that includes Aboriginal communities, Aboriginal organisations and government services and to hold discussions with communities about the issues they see as important for their children and young people.</p>

Program Acronym	Program Name	Program description summary
10 YWG	Youth Week Grants	Youth Week is an annual event and vehicle for young people aged 12 - 24 years to: highlight the positive contribution they make, and can make to the community discuss ideas and raise issues and concerns, develop strategies to address the issues which concern them, and work with other community members to address these issues. Funding is provided to local councils, which are required to match the funding.
11 YPI	Youth Partnerships Initiatives	Encourage partnerships between young people, business, government and local communities to address local youth issues by brokering funds for youth projects from government and other sources (also contributes itself). Specific objectives are to: - Mobilise resources from a range of funding sources; fund projects which are innovative, strategic, sustainable and likely to endure; and encourage young people, in partnership with business and their local community, to develop innovative, strategic and sustainable local projects.
12 YG	Youth Grants	Children & youth services – Funds used primarily to support projects run through the Office of Children and Young People.
13 AAS	Area Assistance Scheme	Objectives: <ul style="list-style-type: none"> • AAS is a regional community development program, providing grants to NGO's and local councils for projects that improve community well being and how communities function. • Projects must meet one of three outcomes; 1. Connecting communities through partnerships 2. building community leadership and capacity 3. promoting safer communities • Operates in six Regions to address stress experienced in those communities through rapid growth and change and high unemployment. Western Sydney, Macarthur, Illawarra, Central Coast, Hunter and North Coast. • To address needs identified locally and to plan to address those needs with community input. • To process the Scheme through community development principles
14 CSCPS	Community Solutions and Crime Prevention Strategy	The Community Solutions and Crime Prevention Strategy aims to provide an innovative multi agency response to social issues affecting targeted priority communities. The strategy has the following objectives: <ul style="list-style-type: none"> • To reduce crime and anti social behaviour and increase community safety • To improve health and community resilience (including reduced drug and alcohol abuse) • To improve educational and employment opportunities • To improve local coordination and infrastructure • To improve agency coordination and information sharing

Program Acronym	Program Name	Program description summary
15 SLCS	Strengthening Local Communities Strategy	The Strengthening Local Communities Strategy focuses on local community renewal and capacity-building projects, community financing initiatives, corporate social responsibility initiatives, research on social exclusion and project evaluation. It also provides tools, resources, training and development to assist community renewal / place management practitioners. The SLCS contributes assistance to innovative, high priority initiatives which do not fit within existing community development grants programs.
16 YPASC	Youth Partnerships with Arabic Speaking Communities	Partnership to promote the well being of young people of Arabic speaking background
17 YPPIC	Youth Partnerships with Pacific Islanders Communities	Partnership to promote the well being of young people of Pacific Island backgrounds
18 CPM	Cabramatta Place Management Project	Coordination role for drug projects
19 CBPM	Canterbury Bankstown Place Management Project	Goal to address critical youth-related issues in the area through improved coordination and communication between State Government, Local Government and the community
20 OWGP	Other Whole of Government Program	The projects covered under this program are on behalf of other government agencies e.g. Community Solutions
21 VAWS	Violence Against Women Strategy	Identified as part of the analysis was a small annual grant for women's groups - further analysis may identify other types of funding involved