



Treasurer; Attorney General

Our ref: 35-20450
Your ref: ef.all.120426.let.001.Tim Marney (A342900)



Hon Giz Watson MLC
Chair
Standing Committee on Estimates and
Financial Operations
Legislative Council
Parliament House
PERTH WA 6000

Dear ~~Ms Watson~~ *Giz*

REQUEST FOR SUPPLEMENTARY INFORMATION

I refer to your letter of 26 April 2012, regarding the Committee's request for supplementary information from the public hearing held on 23 April 2012, in relation to funding for the Non-Government Community Sector.

A response to the request for supplementary information is attached.

Yours sincerely

HON C. CHRISTIAN PORTER MLA
TREASURER; ATTORNEY GENERAL

Attach

17 MAY 2012

DELIVERING COMMUNITY SERVICES IN PARTNERSHIP POLICY

FIRST QUARTERLY REPORT – MAY TO JULY 2011

EXECUTIVE SUMMARY

This first *Quarterly Report* to the Partnership Forum is designed to highlight progress in implementing the Sustainable Funding and Contracting with the Not-For-Profit (NFP) sector reforms, announced as part of the 2011/12 State Budget. The *Quarterly Report* also draws the Partnership Forum's attention to any challenges or significant issues as well as relevant examples of best practice.

The period from 19 May to 31 July 2011 has marked a new chapter in the contracting relationship between government agencies and NFP organisations in Western Australia. The State Government Budget on 19 May 2011 announced an unprecedented and historical funding injection for the NFP sector of \$604 Million. On 1 July 2011, the *Delivering Community Services in Partnership Policy* (the *Policy*), a suite of new community services procurement templates, process definitions, standard general provisions (terms and conditions) and practice guide were all launched. The *Policy* and accompanying suite of procurement documents were all designed to reflect a balanced relationship between government and the NFP sector, a renewed focus on delivering better service outcomes and support a more sustainable NFP sector. The beginning of the new financial year also marked government agencies commencing Component I funding roll out for eligible NFP service agreements, through a contract variation mechanism.

A significant body of work has been undertaken across government agencies and the NFP sector to reach this point. The *Quarterly Report* format provides an update on the roll out of funding adjustments and then groups key achievements under the three core themes of the *Policy*. This approach provides consistency with other reporting mechanisms and a clear association between the quarter's key activities and the reform initiatives purpose to deliver better outcomes for Western Australians and a more sustainable NFP sector. A summary of the achievements for May to July 2011 are as follows:

SUSTAINABLE FUNDING

- Component I funding roll out commenced and 89% of eligible contracts (with government agencies that have reported) have been amended to make the 15% price adjustment and insert the standard indexation clause. Price adjustments within the variation letter will flow as per the payment schedule in the contract.
- The Department of Treasury continues to work to resolve outstanding issues relating to Component I roll out, including:
 - deal with issues highlighted by the NFP sector about contracts that expired on 30 June 2011;
 - ensure that the remaining 11% of contracts are amended as soon as possible;
 - confirm eligible contracts and 2011-12 contract value with the Department of Health (incorporating the Drug and Alcohol Office); and
 - coordinate an additional claims process to re-evaluate eligibility for Component I within existing budget parameters.

NATURE OF THE RELATIONSHIP

- A range of awareness, education and knowledge building presentations and workshops have been delivered by the Funding and Contracting Services (FaCS) unit in the Department of Finance, Government Procurement, through close collaboration with and the active participation of government agencies and the NFP sector.
- The publication of a range of information including, a suite of Budget Fact Sheets to provide further information on the reform initiatives and their implications; and the launch of the first edition of the Funding and Contracting Services Bulletin that is intended to be a monthly communication tool with government agencies and NFP sector.

FUNDING AND CONTRACTING OPTIONS

- A range of activities have been undertaken to support procurement skills development across both government agencies and the NFP sector. These have included a Community Services Procurement Practice Guide and the secondment of a FaCS team member to an agency to support the establishment of a complex new funding arrangement.

REDUCING THE ADMINISTRATIVE BURDEN

- A range of templates (18 documents) have been developed and released to standardise the processes associated with the procurement of community services. The procurement templates have been made available on the Department of Finance website and publicized through a range of educational and awareness activities.

The May to July 2011 quarter has presented some challenges and issues, details of which are outlined in the *Quarterly Report* for the Partnership Forum's consideration. These issues include the prioritisation of \$1.43 million Direct Agency Support (DAS) funding allocated for 2011/12; the approach to DAS funding must balance Cabinet-approved requirements with Partnership Forum feedback and diverse sector requirements. This issue is considered in the *Draft Capacity Building Implementation Plan*, submitted separately to the Partnership Forum.

RECOMMENDATIONS

That the Partnership Forum:

1. Note progress made to date on:
 - a) The roll out of Component I funding; and,
 - b) The key *Policy* themes:
 - 1.1 Nature of the relationship;
 - 1.2 Funding and contracting options; and
 - 1.3 Reducing the administrative burden.
2. Approve the format of future Quarterly Reports.

PROGRESS TO DATE

Introduction

Regular reporting informs the Partnership Forum in its strategic oversight of the *Delivering Community Services in Partnership Policy* (the *Policy*) and helps monitor progress of the reform initiatives throughout the year. The Partnership Forum Working Group recommended a standing item be included in each Partnership Forum meeting to:

- Discuss the progress on roll out of Component I and provide a progress report on Component II. These items are the responsibility of the Department of Treasury.
- Discuss the implementation of the *Policy* and highlight any implementation issues relevant to the quarter. These items are the responsibility of the Department of Finance, Government Procurement.

The *Quarterly Report*, as part of the wider Evaluation Framework, will also inform the Partnership Forum's annual report to the Premier. The *Quarterly Reports* are prepared jointly by the Funding and Contracting Services (FaCS) unit within the Department of Finance, Government Procurement and the Department of Treasury. This is in line with the *Policy's* direction that the Department of Finance, Government Procurement, will "report to the Partnership Forum (the *Policy* owner) on the *Policy's* implementation and effectiveness."

The *Quarterly Reports* provide a summary of progress and benefits realised in the previous quarter as well as highlighting any issues and lessons learnt. A template for future reports to the Partnership Forum is proposed in section 3. It is proposed that *Quarterly Reports* to the Partnership Forum summarise achievements and outcomes to date under the following themes:

- Sustainable funding – progress on the roll out of the Component I and II;
- The nature of the relationship –outcomes from activities, which support government agencies and NFP organisations in developing a partnership based around a common commitment to deliver better outcomes for all Western Australians;
- Funding and contracting options – progress in developing the capacity of government agencies and the NFP sector to develop and enter into appropriate and sustainable funding and contracting arrangements; and
- Reducing the administrative burden – summary of initiatives aimed at reducing unnecessary 'red tape' for the NFP sector. Measures under this *Policy* theme are designed to free up resources, which can be re-directed to frontline public sector delivery and enable better community outcomes.

Sustainable Funding

Government has committed \$604 million, of which \$491 million has been allocated to increase the funding base of eligible human services contracts with NFP organisations and to help build a more sustainable NFP sector. This funding is being implemented in two distinct stages:

- **Component I** – from 1 July 2011, an upfront 15% across-the-board price adjustment applied to all eligible human services contracts; and
- **Component II** – from 1 July 2013, an increase averaging 10% to be rolled out as contracts are reviewed in line with the procurement reforms.

The two stage approach is intended to balance the NFP sector's immediate financial needs, whilst contributing to the development of a sustainable sector and ensuring better quality services to the community. A further \$96 million has been provided to continue the Non-Government Human Services Sector Indexation Policy for payments to NFP organisations. The remaining \$18 million has been allocated to support the implementations of the reforms, including the establishment of a central resource, the Funding and Contracting Services (FaCS) unit in the Department of Finance.

Component I Rollout

To date, Component I roll out has progressed well, with 89% of eligible contracts (with agencies that have reported) updated according to the following process:

- Extensive engagement between government agencies and Department of Treasury to finalise eligible contracts for Component I;
- Engaging with the public sector through a series of forums on the implementation on Component I; and
- A list of eligible contracts and standard contract variation template provided to applicable government agencies.

Based on the tracking mechanism put in place by the Department of Treasury, as well as feedback from the NFP sector, the following steps will be taken in the coming quarter to resolve remaining Component I roll out issues:

- Regular reporting by government agencies on Component I roll out;
- Regular contact between Treasury and the NFP sector peaks to identify and resolve emerging issues;
- Actions to resolve issues relating to substantial changes to contracts expiring on 30 June 2011. Such contracts account for around 22% of total eligible contract value. The Departments of Treasury and Finance will work with the relevant agencies (Departments of Health and Corrective Services and the Disability Services Commission) to ensure consistency with the intent of the Component I initiative and the *Policy*;
- Ensure the remaining 11% of contracts are amended as soon as possible;
- Confirm eligible contracts and 2011-12 contract value with the Department of Health (incorporating the Drug and Alcohol Office); and
- Coordinate an additional claims process to re-evaluate eligibility for Component I within existing budget parameters as part of the Mid Year Review process. Pending the timing of the Fair Work Australia decision, timing and payment of homelessness contracts may be considered as part of this process.

In order to roll out Component I, government agencies were required to provide NFP sector organisations with a contract variation letter for all eligible human services contracts. In turn, NFP sector organisations were required to sign and return the letter as acceptance of the variation to finalise the 15% price adjustment increase. A summary of the status of the Component I roll out in each of the 15 government agencies involved in human services contracts, as well as any issues of concern in relation to estimated 2011-12 contract values, is attached at appendix 1.

Component II

The Departments of Treasury and Finance will soon start to develop an approach to the implementation of Component II through engagement of both government agencies and the NFP sector in its development over the coming months. A draft approach will be submitted for Partnership Forum consideration at the November meeting.

Nature of the Relationship

The *Policy* supports a move away from government agencies prescribing inputs, service models and costs in service agreements to a more mature contracting relationship, built on genuine partnership with NFP organisations and fair and appropriate sustainable pricing. This transition requires both behavioural change as well as structural reform, and as such will take time.

The *Quarterly Report* provides an opportunity to reflect on progress in building a more mature contracting relationship between government agencies and the NFP sector, highlighting examples of best practice as well as any issues that would benefit from the attention of the Partnership Forum.

To support the *Policy* implementation, the FaCS unit has been established within the Department of Finance, Government Procurement to provide support and advice to government agencies and NFP organisations, as well as monitoring policy compliance. This section provides a summary of the unit's activities and outputs over the preceding quarter, structured by the *Policy's* key themes.

Establishment of the FaCS Unit

The FaCS unit is now fully operational within the Department of Finance, Government Procurement. A recruitment exercise has been successfully completed and the unit now has 14 members with broad and extensive experience in procurement, compliance and policy.

Feedback by word of mouth, follow up emails and event feedback forms are all used to help inform the unit's work program. The broad objectives for the unit are also outlined in the draft Capacity Building Implementation Plan. More information about the unit and contact details can be found at:

<http://www.finance.wa.gov.au/cms/content.aspx?id=460&linkidentifier=id&itemid=460#facs>

Monitoring Policy Implementation Progress

The FaCS unit has received 60 formal¹ enquiries and concerns since 12 May 2011. The nature of these enquiries can be summarised as follows:

- 11 were in regard to Component I roll out, mainly on the eligibility of specific arrangements and as such were referred to the relevant agency or to the Department of Treasury as appropriate;
- 19 related to the Policy or general issues, mainly general discussions on implementation within a specific agency or service;
- 14 raised specific procurement practice questions and issues; and
- 16 queries were on the new templates.

The majority of Component I roll out questions has been handled directly by government agencies and/or the Department of Treasury. A number of queries and concerns were dealt with as part of the rolling program of workshops and seminars; these have not been included in the enquiry log unless they required follow up phone calls, agency visits or emails after the event.

Future *Quarterly Reports* will include an analysis of any significant trends in the FaCS enquiry register and any common or recurrent issues will be highlighted in the 'Challenges and Issues' section. The unit's role in monitoring broader policy compliance and capability is summarised under the *funding and contracting options* section of the *Quarterly Report*.

Cross Sector Engagement

The FaCS unit has commenced work to establish a Government Community Services Procurement Leaders Council and an equivalent body for all NFP peak organisations to support information exchange and feedback. The purpose of these forums will be to enable the FaCS unit to receive timely feedback, respond to the sectors' needs, and inform implementation methodologies and strategies where required. The intent is to hold monthly one hour meetings with each forum, with a joint forum to be held every six months to ensure that sufficient opportunities are provided to share sector specific as well as shared issues and concerns.

The value of these forums will be evaluated and assessed for future years and the structure and frequency can be adapted to meet the needs of the forum memberships. Secretariat will be provided by the FaCS unit and general progress will be incorporated in the quarterly reports to the Partnership Forum.

¹ Formal enquiries are defined as enquiries submitted by e-mail, telephone, and letter or in person to the FaCS Unit and require response or follow up outside of the immediate workshop, forum or meeting environment.

Communications and Awareness

The FaCS unit has delivered a number of workshops in partnership with, and designed for government agencies and NFP sector. The workshops are part of a rolling program of training and education activities designed to respond to the sectors' requirements. The May to July 2011 quarter has focused on building awareness and understanding of the *Policy* and its implications.

Achievements in the last quarter have included:

- 11 Presentations (government agencies & NFP organisations) on the roll out of Component I;
- three Reform and Implementation roll out Forums for Directors General;
- four Practitioner Workshops on Funding and Contracting;
- four Awareness and Education Workshops (329 registered attendees from government agencies and NFP organisations); and
- four Workshops with National Disability Services.

The development and publication of a suite of Budget Fact Sheets, have also contributed to the building of awareness and understanding across government agencies and the NFP sector on the reforms and their implications. The FaCS unit has also launched the first edition of the Funding and Contracting Services Bulletin, which is intended to be a monthly newsletter to share information across government agencies and the NFP sector on key developments on the reform.

Funding and Contracting Options

The *Policy* provides definitions of the funding arrangements which fall within scope and a summary of the relevant processes. The FaCS unit has worked with government agencies and the NFP sector to develop a suite of templates, process definitions, and general provisions (terms and conditions) in support of the *Policy's* requirements. The suite of documents, supporting communications, training and direct support is designed to build procurement capacity in government agencies and NFP sectors.

Guidance, Advice and Support

The FaCS unit has provided direct support to government agencies and NFP organisations through advice and review of specific arrangements and documents. The FaCS unit has also developed a complaints and Issue resolution process, with the capacity to mediate and provide guidance on issues relating to the implementation of the *Policy*. The FaCS unit has also provided a member of staff on a short secondment to a government agency to help meet an immediate, priority capacity need.

The FaCS unit has also established a website (a dedicated section of the Department of Finance website) that provides an overview of the funding and contracting options available, and information and tools for engaging with the NFP sector for the provision of community services. It is also a reference point for NFP organisations wishing to learn more about the activities of the implementation of the *Policy* and the FaCS unit.

Education and Training

The FaCS unit has provided a range of documents, templates and guidance to government agencies and the NFP sector to contribute to procurement maturity in developing and managing community service agreements. These activities have included:

- The establishment of the Community Services Procurement Review Committee (CSPRC) to provide peer review of agency procurement processes;
- The development and release of a NFP sector Procurement Practice Guide;
- The development of a topic specific workshops - a workshop hosted by the Institute of Public Accountants on financial information for NFP considerations, that will be delivered at the end of August;
- Agency specific workshops; and
- Presentations and workshops with NFP peak organisations.

Compliance and Capability

The FaCS unit is in the process of developing a compliance and capability mechanism, to provide an impartial view on the progress of government agencies in complying with and fulfilling the *Policy's* objectives. Compliance reviews will focus on government agencies' conformity with the *Policy* and existing State Supply Commission policies. Capability reviews will be more strategic and will focus on an agency's governance of their procurement function including examining the procurement expertise available and their ability to engage with specific service providers.

Reducing the Burden

The *Policy* established a set of principles and behaviours that guide the nature of the relationship between government and the NFP sector. The *Policy* refers to standardised documents and guides to support government agencies to translate these principles and behaviours into practice. The *Quarterly Report* provides an opportunity to regularly update the Partnership Forum on measures taken to reduce the burden and to highlight any significant issues. This first quarter is focused on measures put in place whilst future reports are likely to focus more on examples of best practice and outcomes. Achievements during the May to July 2011 quarter have included:

- The development and release of standardised Community Service Procurement Templates (18 documents). These templates were developed through engagement with and contributions from both government agencies and the NFP sector. They will remain under review and any suggestions or issues on the current drafts should be forwarded to the FaCS unit.
- Standard Chart of Accounts Implementation Documents (four documents). Implementation manual and supporting documents have been released by the State Government (and made available through the FaCS unit, Government Procurement website). These documents may help those NFP organisations which opt into using the National Standard Chart of Accounts (SCOA) to reduce the administrative burden.

Challenges and Issues

The following challenges and issues have arisen during the May to July 2011 quarter:

- **Ensuring sufficient awareness and encouraging attendance at workshops, particularly the small to medium sized NFP organisations**

NFP organisation peak bodies have an important role to play in assisting the FaCS unit in building effective communication and distribution channels. This was demonstrated by the rise in attendance at the second *Policy* workshop conducted for the NFP sector following communications by National Disability Services. The FaCS unit will continue to work closely with NFP peak bodies, particularly through the establishment of the peak forum.

- **The capacity of government agencies and the NFP community sector to transition to the new procurement requirements**

This issue has been raised in a number of workshops to date. Proposals to respond to this matter through distribution of Direct Agency Support funding are included in the draft Capacity Building Implementation Plan.

Proposed Format of Future Reports

It is proposed that the format of future *Quarterly Reports* follow an agreed template, enabling easy cross referencing between quarters and a clear alignment to the *Policy*. The *Reports* will be submitted to the Partnership Forum each quarter and will reflect on achievements in the preceding three months and highlight any challenges and issues, including those that may require further attention.

The framework for future *Reports* is proposed to include a progress report on Component I and II funding, followed by a summary of relevant activities and outcomes structured by the three key *Policy* themes, as follows:

- **Sustainable funding:** progress in developing a viable NFP sector that can provide quality services to the Western Australian community at a fair, sustainable price. This primarily reflects upon progress in the roll out of Component I and II funding.
- **Nature of the relationship:** activities and initiatives designed to support the development of a collaborative, partnership relationship between government agencies and the NFP sector.
- **Funding and contracting options:** outputs and outcomes, which support the building of procurement capability in government agencies and NFP sector. This will include updates on compliance audits and capability reviews conducted by the FaCS unit.
- **Reducing the administrative burden:** activities and initiatives designed to reduce the administrative burden across government agencies and the NFP sector and to ensure that resources are maximised in the delivery of better community outcomes. This includes the roll out of and compliance with standardised community service procurement templates and practice guides.

Agenda Paper 3.2

The report will, where relevant, include a summary of key milestones met (aligned to the draft *Capacity Building Implementation Plan*), benefits and outcomes (in line with the *Evaluation Framework*) and finally, any challenges and issues.

APPENDIX 1

Agency	Number of Service agreements	Contract Variation Letters Sent/Received	Issues relating to 2011/12 Contract Value
Department of Commerce	15	<ul style="list-style-type: none"> None 	Issues now resolved and letters to be sent.
Drug & Alcohol Office	87	No information provided to date	
Department of Child Protection	183	<ul style="list-style-type: none"> 181 Sent 178 Received 	No issues identified.
Department of Corrective Services	57	<ul style="list-style-type: none"> 57 Sent 50 Received 	On four contracts, DCS applied the 15% escalation on the total funding, split it into quarterly amounts and then split it 30/70 for administration and travel respectively. DCS recognises that it is up to the NFP to determine how the funds are allocated and as such will not apply this method on future contracts.
Department of Communities	165	<ul style="list-style-type: none"> 165 Sent 163 Received 	One service is shifting to a grant from 01/01/12. Five services look likely to cease as at 31/12/11.
Department of Indigenous Affairs	13	<ul style="list-style-type: none"> 13 Sent 9 Received 	No issues identified.
Department of the Attorney General (DoTAG)	8	<ul style="list-style-type: none"> 8 Sent 8 Received 	2011/12 contract value only includes a 3% escalation - an additional 1% adjustment is required.
Disability Services Commission	93	<ul style="list-style-type: none"> 93 Sent 93 Received 	60 services require adjustment as individual clients are able to transfer to other NFP.
Department of Training & Workforce	30	<ul style="list-style-type: none"> None 	Delays in sending letters due to ongoing clarification of contract value (including value of Indexation).
Department of Education	21	<ul style="list-style-type: none"> 19 Sent 9 Received 	One remaining agreement expired 31/12/10 and new agreement to-date has not been able to be negotiated.
Department of Health	167	<ul style="list-style-type: none"> 159 Sent 136 Received 	Ongoing verification of status and accuracy of data.

Agenda Paper 3.2

Department of Housing	16	<ul style="list-style-type: none">• 15 Sent• 14 Received	Waiting on information to be received from final NFP
Legal Aid Commissioner	14	<ul style="list-style-type: none">• 14 Sent• 11 Received	No issues identified.
Mental Health Commission	120	<ul style="list-style-type: none">• 119 Sent• 110 Received	No issues identified.
WA Police	1	<ul style="list-style-type: none">• 1 Sent• 1 Received	No issues identified.

SUSTAINABLE FUNDING AND CONTRACTING WITH THE NOT-FOR-PROFIT SECTOR

SECOND QUARTERLY REPORT – AUGUST TO OCTOBER 2011

1. INTRODUCTION

This, the second Quarterly Report to the Partnership Forum highlights progress on the Sustainable Funding and Contracting with the Not-For-Profit (NFP) Sector initiative, for the period 1 August to 31 October 2011. Significant achievements from November 2011 have also been included where appropriate, to tie in with the Partnership Forum. The report follows a format endorsed by the Partnership Forum in August 2011 and focuses on four key themes:

- **Sustainable funding** – progress on the rollout of Component I and II funding.
- **Nature of the relationship** – summary of initiatives designed to support government agencies and NFP organisations in building a genuine partnership through sustainable procurement practice.
- **Funding and contracting options** – progress across the public and NFP community sectors in designing and implementing appropriate and sustainable funding and contracting arrangements.
- **Reducing the administrative burden** – summary of initiatives aimed at reducing unnecessary ‘red tape’ for the NFP community sector, freeing up resources for frontline community services.

The Quarterly Report also draws the Partnership Forum’s attention to challenges, significant issues and examples of best practice demonstrated within the reporting period.

2. SUSTAINABLE FUNDING

2.1 Component I Rollout

The rollout of Component I funding continues to progress well, and excluding contracts involved in the additional claims process, all but seven contract price variation letters have now been signed and returned to government agencies for processing. In the vast majority of cases payments under contracts are flowing as scheduled including the base value, the 4% indexation and 15% price increase. There has been an isolated case raised by a NFP organisation where these increases have yet to be passed on. The Departments of the Premier and Cabinet and Treasury have oversight of this issue and are facilitating an urgent and speedy resolution for the NFP organisation concerned. Furthermore, the Department of Treasury is conducting a thorough review of that government agency’s rollout of Component I to determine whether this is an isolated case.

This case has illustrated that the mechanisms in place are working and that if NFP organisations’ concerns are not being adequately addressed by the respective government agency, then central agency support is playing a useful arbitration role. All issues relating to contract management should be addressed between the NFP organisation and the government agency in the first instance, but further support and assistance is available to both sectors if either Component I rollout or *Delivering Community Services in Partnership Policy (DCSP Policy)* implementation issues arise.

The Department of Treasury continues to gather monthly status updates from government agencies on Component I rollout as well as any related issues that government agencies and NFP organisations, may be experiencing. Issues continue to surface regarding the Component I parameters and a handful of government agencies are yet to grasp the more balanced contracting relationship these reforms aim to instill. Again, the Departments of the Premier and Cabinet, Treasury and Finance are working collaboratively with these government agencies to educate and monitor progress.

The following actions in relation to Component I have been carried out over the previous quarter:

- All Component I contracts expiring on 30 June 2011 have been gathered and to date no further issue has arisen in relation to rolled over contracts having terms and conditions altered.
- A list of eligible contracts for Component I was tabled in Parliament on 19 October 2011 which included 494 NFP organisations and 982 contracts.
- The 2011-12 value of the 982 contracts totalled \$635 million (including base value, indexation and Component I funding) and continues to be rolled out in accordance with contract payment schedules.
- As at 31 October 2011, government agencies have reported that a total of \$140 million (of the \$635 million) has been rolled out to NFP organisations (see Appendix 1).

2.2 Additional Claims Process

The last Quarterly Report advised the Partnership Forum that the Department of Treasury would coordinate an additional claims process to re-evaluate eligibility for Component I within the existing budget parameters. In August 2011, the Treasurer wrote to all Ministers requesting they submit any additional claims, which were not included in the original eligible list for Component I. With only a finite amount of funding available for Component I, nine Ministerial submissions, totalling \$134 million, were received by the Treasurer. Each additional claim was analysed by the Departments of the Premier and Cabinet, Treasury and Finance and incorporated into a paper for Government consideration.

The Government supported the inclusion of a further ten eligible contracts from four government agencies, which were not provided in government agencies' original eligible lists. Furthermore, Government supported the inclusion of the Disability Services Commission's contracts for self-directed services as well as individuals who aligned themselves with NFP organisations post the 31 January 2011 eligibility cut-off date.

2.3 Evaluation Framework

The draft evaluation framework was considered by the Partnership Forum at its August 2011 meeting. The Forum made some suggested changes and after further engagement with community sector peak bodies, the evaluation framework was presented and subsequently endorsed by Government in November 2011. It should be noted that the evaluation framework was endorsed with the understanding that the framework will continue to evolve and there is flexibility for it to be refined as the reforms progress. Over the next 12 months, the Department of Treasury will work with government agencies and NFP organisations to coordinate the implementation of the framework, which will include establishing baselines for proposed indicators and ensuring that progress is evaluated effectively.

2.4 Component II

At its August 2011 meeting, the Partnership Forum supported the establishment of a cross-sector Partnership Forum Capacity Building Working Group, tasked with collaboratively developing a Capacity Building Implementation Plan and a strategic approach to implement Component II. The Working Group met fortnightly until the end of November 2011, and has recommended a draft Capacity Building Implementation Plan and Strategic Approach to Component II for the Partnership Forum's consideration. Further details on the Strategic Approach to Component II are contained in Attachment 3.

2.5 Fair Work Australia (FWA) and the Social and Community Sector Equal Remuneration Case

The Commonwealth Government and the Australian Services Union lodged a joint submission to FWA on 17 November 2011. The joint submission draws on a detailed analysis of the nature of work undertaken by social and community sector employees and a comparison with public sector wage rates to determine the extent to which the work in the sector is undervalued on the basis of gender.

Attachment A

The submission seeks wage rates in the Federal jurisdiction that are equivalent to the wage rates awarded to Queensland social and community workers in the 2009 Queensland equal remuneration case. The Queensland case awarded increases of between 18% and 37% depending on level. A phasing in period of six years commencing from 1 December 2012 is suggested by the joint submission. The submission does not provide detail on the Commonwealth's \$2 billion funding commitment or how the funding will be allocated.

Based on the limited information provided in the Commonwealth and Australian Services Union joint submission, should Western Australia have adopted the Commonwealth's approach rather than the \$604 million sustainable funding and contracting with the NFP sector initiative, approximately \$700 million less would have flowed to NFP organisations over the period July 2011 - June 2018.

3. NATURE OF THE RELATIONSHIP

The *DCSP Policy* places a renewed focus on the importance of a genuine partnership between the public and NFP community sectors; a relationship based on mutual trust and respect. The changing nature of the relationship between the two sectors has much broader reach than the funding and contracting relationship. Agenda Item 5 proposes an action plan to take forward the broader work on the Nature of the Relationship focused on policy, planning and service design.

3.1 Monitoring Policy Implementation Progress

Between 1 August and 31 October 2011 the FaCS unit has managed over 180 formal¹ enquiries, requests for support, and concerns, compared to 60 in the previous quarter. The nature of these enquiries are summarised as follows:

- Eight queries were raised on Component I rollout (a reduction from 11 in the previous quarter), mainly on the eligibility of specific arrangements and, as such were referred to the relevant agency or to the Department of Treasury.
- 93 were on the *DCSP Policy* or general issues (a significant increase on the previous quarter), mainly requests for clarification on a particular aspect of the *DCSP Policy*, requests for FaCS unit support and/or general discussions on reform progress.
- 82 questions and issues were raised regarding specific procurement practice issues and the templates, including requests for the FaCS unit to review documents and to advise on template use.

The significant increase was expected given that this past quarter has been the first full quarter since the *DCSP Policy* came into effect. The majority of enquiries and requests came from government agencies (approximately 78%). However, the FaCS unit also provided advice and support to the NFP community sector through peak bodies, that in turn will be managing queries and providing advice to their members. A more detailed breakdown of enquiries, requests and concerns is provided at Appendix 2.

Further detail on the FaCS unit's role in monitoring policy compliance and capability is summarised under the *Funding and Contracting Options* section of the Quarterly Report.

¹ Formal enquiries are defined as enquiries submitted by e-mail, telephone, and letter or in person to the FaCS unit and require response or follow up outside of the immediate workshop, forum or meeting environment.

3.2 Cross sector engagement

A number of initiatives and activities are ongoing to promote the benefits of cross sectoral partnership and to encourage the sharing of good practice. A Government Community Services Procurement Leaders Council has been established to support the exchange of information and feedback across government. At its inaugural meeting on 25 October 2011, the Council discussed the following:

- The Community Services Procurement Vocational Program which is designed to build the capacity of government agency procurement staff in buying community services.
- The availability of the FaCS unit's Direct Agency Support team to assist government agencies to build capacity and provide guidance and advice on procurement processes.
- A range of education and training mechanisms available to government agencies and NFP organisations to assist them in implementing the *DCSP Policy* and associated reforms.
- The capability assessment and compliance review frameworks.

The Council will next meet on 13 December 2011.

The FaCS unit is also working closely with community sector peak bodies, in particular National Disability Services (NDS) and the Western Australian Council of Social Service (WACOSS), to ensure that key messages on the *DCSP Policy* and the associated procurement reforms are reaching NFP organisations across the State. Two members of staff from the Department of the Premier and Cabinet and two from the FaCS unit have been on placement within peak bodies two days a week to encourage an open exchange of information between the sectors and to assist directly with the peak bodies' capacity building initiatives.

A monthly *Funding and Contracting Services Bulletin* is sent by email to key stakeholders from across the public and NFP community sectors. The bulletin is also available on the Department of Finance website. The bulletin is a useful tool to share information across the public and the NFP community sectors and to encourage feedback.

Over the last quarter, the joint Partnership Forum Capacity Building Working Group has developed a draft Capacity Building Implementation Plan and an accompanying communications strategy. The FaCS unit's role in building capacity across the public and NFP community sectors will be aligned to the priorities in the Plan as will the unit's approach to communications. A key outcome of the Working Group has been the development of the Fostering Partnership Program, a funding scheme administered by the Department of Finance to support collaborative projects in line with the *DCSP Policy's* Principles and Behaviours.

4. FUNDING AND CONTRACTING OPTIONS

4.1 Guidance, Advice and Support

Over the last quarter, the Department of Finance has provided a range of direct support to government agencies and NFP organisations through hands-on advice, training programs and materials. The FaCS unit is providing direct support through placement of staff within six government agencies and two community sector peak bodies to help meet immediate, priority capacity needs.

The training and education program over the last quarter has included a range of workshops in regional and metropolitan areas for both the public and NFP community sectors a summary is provided at Appendix 3. As well as presenting and facilitating the training and education program, the FaCS unit has also provided opportunities for public and NFP community sector members to attend external training events. These external events have included sponsoring an event on *Social Return on Investment* and funding two workshops on *Service Costing Principles*.

Attachment A

Suggestions on future training opportunities have been actively encouraged, with the FaCS unit working collaboratively with community sector peak bodies' training teams to develop the forward training program. Feedback on training to date has been generally very positive, but there is also an appetite to move from the general sessions to more tailored sessions focused on practical applications of the *DCSP Policy* and to ensure effective reach in the regions. The FaCS unit is piloting a number of more technical and focused training sessions, and is also looking into a number of online training options to allow the team to provide as much information as possible to regionally based stakeholders. A second round of regional workshops is also being planned for early 2012.

The FaCS unit is also designing professional development opportunities to build capacity within government agencies. Applications were invited from government agency procurement staff for one of 20 sponsored places on the customised Community Services Procurement Vocational Program. This program will be run from February to May 2012, with a cross section of agencies represented.

4.2 Capability and Compliance

The capability assessment and compliance review frameworks will provide an impartial view on the progress of government agencies in fulfilling and complying with the *DCSP Policy's* objectives. The design of these frameworks is now complete and incorporates feedback from pilot assessments. The FaCS unit is scheduling a series of reviews in 2012 with further updates to be provided in the next Quarterly Report.

The Community Services Procurement Review Committee held its first meeting on 8 September 2011. The Committee has subsequently reviewed four procurement plans and four evaluation reports from five agencies. Participants in the process have commented on the benefits of the process in providing valuable peer review and ensuring the accountability of major procurement processes with the NFP community sector.

The FaCS unit are also monitoring those community services publicly tendered on the TendersWA system to assess *DCSP Policy* compliance (e.g. demonstrate a commitment to sustainable pricing, outcomes focus, and reflect the *DCSP Policy* Principles and Behaviours) and provide feedback where appropriate.

5. REDUCING THE ADMINISTRATIVE BURDEN

The Department of Finance is committed to ensuring the ongoing relevance of procurement templates released in support of the *DCSP Policy*. The FaCS unit has therefore established a Template Stakeholders Reference Group to provide comment on proposed amendments to the templates. Membership of the Group includes government agency representatives, NFP community peak body representatives and representatives from NFP organisations. The Group met for the first time on 14 November 2011 and future Quarterly Reports will summarise their findings.

6. CHALLENGES, ISSUES AND BEST PRACTICE

There are a number of challenges and issues that have arisen during the August to October 2011 quarter. The key issues include ensuring a consistent understanding of the *DCSP Policy* and maintaining momentum of reform implementation within government agencies.

Current understanding of the *DCSP Policy* and its implications varies considerably between different government agencies and NFP organisations. However, the program of direct agency support is assisting both sectors to develop their understanding and further the procurement reforms. This will be further support through the program of Capability Assessments and Compliance Reviews.

The Capacity Building Implementation Plan responds to the issue of the sectors' immediate capacity to respond to the *DCSP Policy* and the associated procurement reforms. However, the momentum for change has to be maintained over an extended period as the *DCSP Policy* requires significant procedural and cultural changes. The Plan provides a strategic framework for capacity building in the longer term and both

Attachment A

sectors will need to maintain their commitment to capacity building, in line with the Partnership Forum's Principles and Behaviours.

An example of a collaborative, cross sector initiative from the last quarter is the Joint Disability Services Commission Steering Group which has representatives from the Disability Services Commission, National Disability Services and the Department of Finance. The Group's goal is to guide communications and solve problems associated with reforming the disability sector's procurement policies and practices. This is a good example of taking an inclusive approach to procurement reform progress and to sharing information effectively.

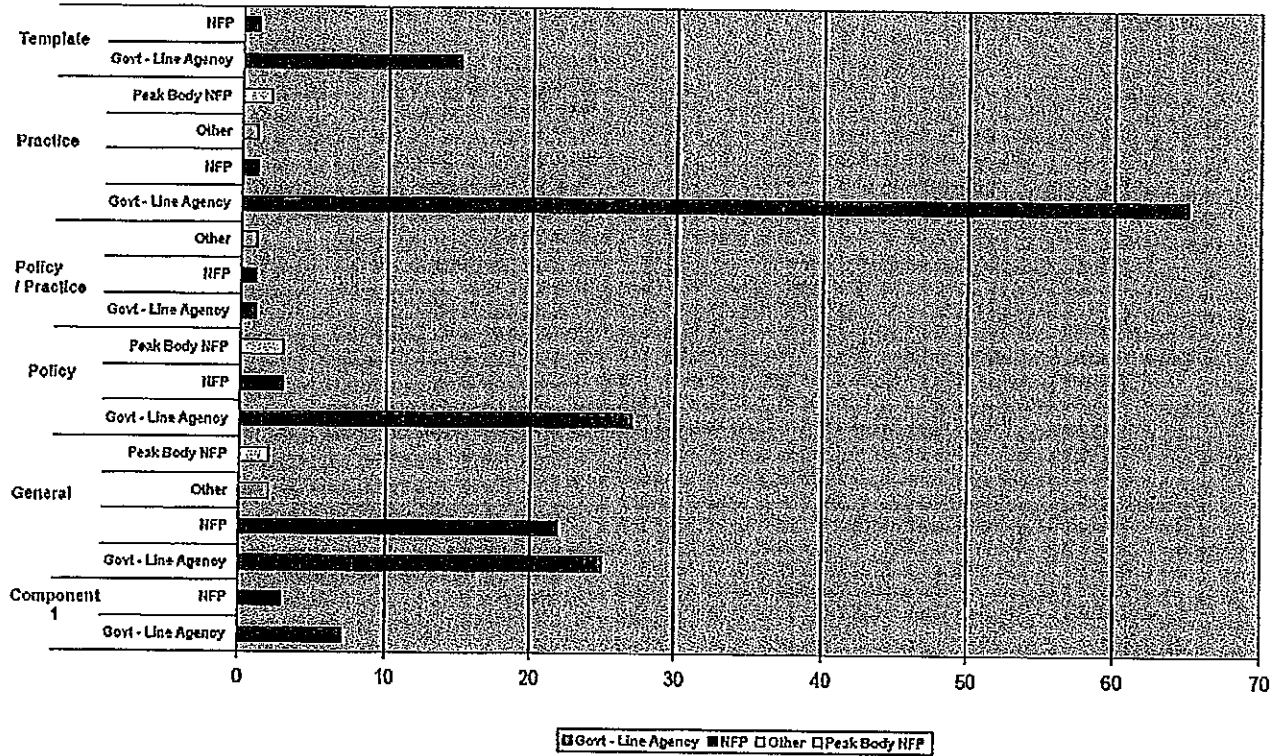
APPENDIX 1

Agency	Number of eligible Service agreements	2011-12 Contract Value (Including 15% Price Adjustment)	Funding Dispersed as at 31 October 2011
Department of Commerce	15	\$2,490,284	\$768,927
Drug & Alcohol Office	87	\$33,420,231	\$15,129,115
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Department for Communities	165	\$17,072,231	\$8,429,387
Department of Indigenous Affairs	13	\$5,024,350	\$550,907
Department of Local Government	3	\$239,199	-
Department of the Attorney General (DoTAG)	8	\$728,531	\$229,786
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Department of Education	23	\$12,384,099	\$5,473,043
Department of Health	162	\$87,281,233	\$31,820,767
Department of Housing	18	\$10,576,281	\$4,663,593
Legal Aid Western Australia	14	\$2,695,670	\$1,329,758
Mental Health Commission	120	\$51,417,826	\$2,523,503
WA Police	1	\$897,000	\$867,000

* Department of Training & Workforce Development has yet to submit an updated YTD rollout of Component I

APPENDIX 2

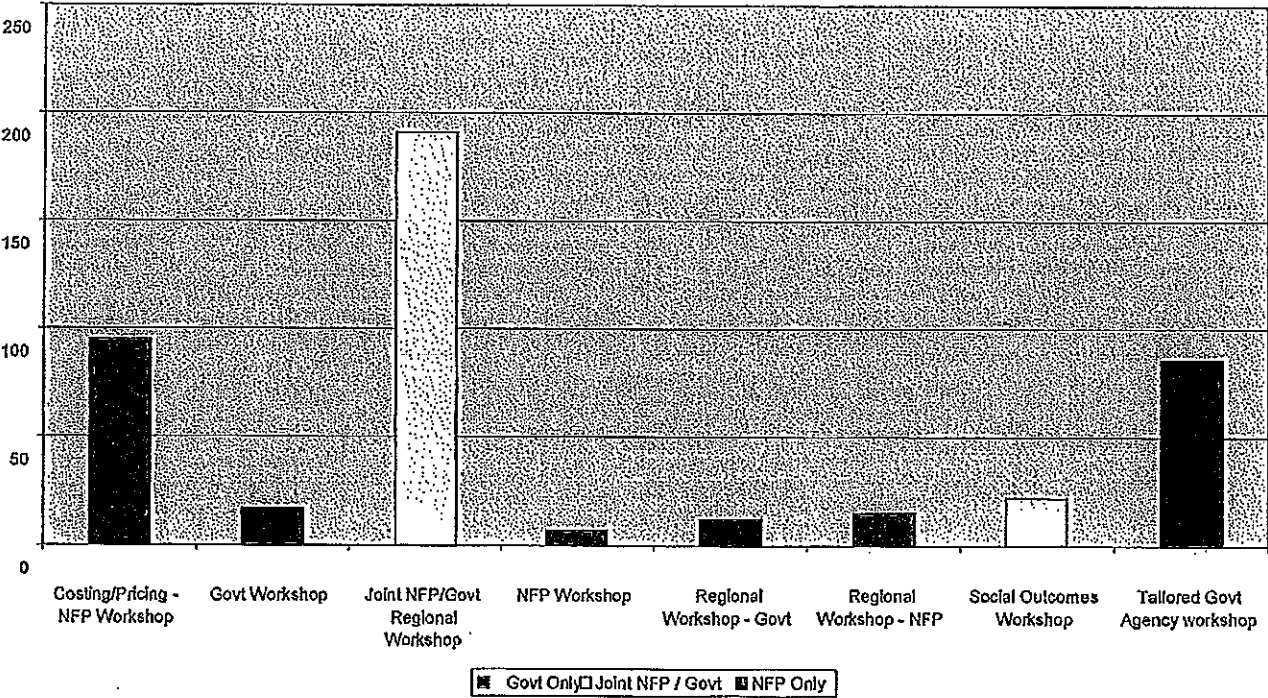
Total Enquiries



Other refers to enquiries from Local Government, inter-jurisdictional agencies etc

APPENDIX 3

Total Attendees - FaCS Education and Training Sessions



THIRD QUARTERLY REPORT – NOVEMBER 2011 TO JANUARY 2012

1. INTRODUCTION

The Quarterly Report follows a format endorsed by the Partnership Forum in August 2011, covers the period from 1 November 2011 to 31 January 2012, and focuses on four key themes:

- **Sustainable funding** – the progress of the funding rollout through Components I and II;
- **Nature of the relationship** – a summary of initiatives designed to support government agencies and NFP organisations to build a genuine partnership, through sustainable procurement practice;
- **Funding and contracting options** – an overview of the progress across the public and NFP community sectors in designing and implementing appropriate and sustainable funding and contracting arrangements; and
- **Reducing the administrative burden** – a summary of initiatives aimed at reducing unnecessary 'red tape' for the NFP community sector and freeing up resources for frontline community services.

It also includes comment on the progress of the reforms from peak bodies (see Section 7).

2. SUSTAINABLE FUNDING

2.1 Component I Rollout

The rollout of Component I funding continues to progress well with 71% of the 2011-12 Total Contract Value (the 2011-12 eligible base, plus the 15% price adjustment) being rolled out from government agencies to their respective NFP community sector organisations, as at 31 January 2012.

In the second Quarterly Report (tabled in December), it was advised that the vast majority of eligible contracts were receiving the base value, the 4% indexation and 15% price increase, however there was one instance where the increases had not been passed on – that issue has since been resolved.

There still remains 12 contract price variation letters, which have not been signed and returned by NFP community sector organisations to government agencies for processing. This has now become a matter of urgency and the Department of Treasury is seeking regular updates from the relevant government agencies to ensure this matter is finalised as soon as possible.

The following actions in relation to Component I have been carried out over the previous quarter:

- Following the additional claims process, all available Component I funding has been exhausted. Funding has been transferred to the relevant government agencies to be rolled out to eligible contracts, as endorsed by Government through the additional claims process.
- As at 31 January 2012, government agencies have reported that a total of \$495 million of the \$698 million (inclusive of the 2011-12 eligible base and 15% Component I funding) has been rolled out to NFP organisations (see Appendix 1).
- A reconciliation process is currently being undertaken to verify the monthly updates provided by government agencies, against the actual expenditure amounts captured by the Department of Treasury on a quarterly basis.

2.2 Evaluation Framework

An Evaluation Framework (the "Framework") for the Sustainable Funding and Contracting Budget Initiative has been developed. The Framework was considered and enhanced by the Partnership Forum, and has been endorsed by Government (November 2011). This endorsement was provided with the understanding

that the Framework will continue to evolve and there is flexibility for it to be refined as the reforms progress.

Further refinements to the Framework are being progressed through the Implementation Working Group and it is anticipated that a revised Framework will be presented to the Partnership Forum at its June meeting.

2.3 Component II

The Premier wrote to all Ministers in January 2012 advising them of the implementation of Component II funding, whereby government agencies will need to make a submission as part of the 2012-13 Mid-Year Review process. Submissions will be developed by government agencies in consultation with the NFP community sector and assessed against the following criteria:

1. Readiness (or Agency Implementation Plans) – which will be used as the basis for assessing an agency's progress towards, and readiness for, implementing the *Delivering Community Services in Partnership (DCSP) Policy*; and
2. Financial Implications – which will outline the financial impacts of the contract review process and quantify the resources required to implement the associated reforms.

The Implementation Working Group was established to support the Partnership Forum in the strategic oversight of the implementation of the Sustainable Funding and Contracting reforms. The Implementation Working Group has developed and endorsed an Agency Implementation Plan template and an Independent Review Process. The Implementation Working Group presents both the template and an independent review process (including proposed membership of a proposed independent review panel) to the Partnership Forum (see Attachments C, D and E) for their consideration and endorsement.

2.4 Fair Work Australia (FWA) and the Social and Community Sector Equal Remuneration Case

On 1 February 2012, Fair Work Australia handed down its final decision on the Australian Services Union equal remuneration case for the Social and Community Services sector, with the majority decision ruling that an Equal Remuneration order should be made under the *Fair Work Act 2009*.

The wage increases proposed in the joint submission made in November 2011 by the Commonwealth Government and the Australian Services Union were considered by Fair Work Australia to be an appropriate reflection of the gender undervaluation of the work done in the sector. Wage increases range from 19% to 41%, depending on the level of the worker, with a weighted average of around 30%. These increases will be phased in over nine instalments commencing 1 December 2012 and finishing 1 December 2020. During the eight-year phasing in period, the wage rates under the *Federal Social, Community, Home Care and Disability Services Industry Award 2010* will also be increased in July each year, by the national minimum wage increase granted by Fair Work Australia.

Western Australia's funding of \$600 million over four years, to provide a funding increase to eligible service agreements with the NFP sector enables these organisations to meet their legal obligations and the Fair Work Australia decision. Initial Treasury analysis suggests that Western Australia's approach will result in approximately \$978 million more in funding being rolled out to the NFP community sector over the period 1 July 2011 to 31 December 2020, than if it adopted the Commonwealth Government's approach to the Fair Work Australia decision.

It should be noted that the Commonwealth Government has committed to meeting the costs of this decision for services that it funds, with an initial estimate of \$2 billion in additional funding nationally originally over six years. However, with the Fair Work Australia determination working on an eight-year phasing in period, it is not yet known how the Commonwealth intends to treat this funding commitment. Furthermore, no indication has been given by the Commonwealth in terms of how this will be applied to

individual services and contracts.

2.5 Specialist Homelessness Contracts

As part of the State 2011-12 Budget, no explicit allocation was made for Specialist Homelessness contracts. At the time of the announcement of the Initiative in May 2011, it was agreed that the NFP sector be informed that:

Joint Commonwealth/State homelessness contracts currently in place or under review will be addressed as a matter of priority following the outcome of the Fair Work Australia Social and Community Services Equal Remuneration Case, with an increase paid commensurate with the Component I price adjustment and Component II determined following consultation with the Commonwealth.

This issue is currently with the State Government for consideration.

The State Government has written to the Commonwealth and encouraged them to adopt the Western Australian Government's approach to sustainable funding for joint funded contracts, such as those for homelessness services. To date, the Commonwealth Government has chosen not to discuss this issue with the State, and its intentions for dealing with jointly funded contracts in the wake of the Fair Work Australia case remain unclear.

Treasury will continue to work with the Commonwealth on both these issues and will report back to the Partnership Forum when the financial and policy implications these decisions have on the reforms are known.

3. NATURE OF THE RELATIONSHIP

The *Delivering Community Services in Partnership (DCSP) Policy* places a renewed focus on the importance of developing a genuine partnership between the public and NFP community sectors; a relationship based on mutual trust and respect. The changing nature of the relationship between the two sectors has much broader reach than the funding and contracting relationship.

The Partnership Forum has identified collaborative policy, planning and service design as a strategic priority in 2012. The emphasis will be on building capacity in both the public and not-for-profit community sectors to collaborate on the development of policy and design of services. The Partnership Forum has developed an action plan to guide action in policy, planning and service design in 2012. The action plan is built around four key directions:

- **Building skills, networks and knowledge** – the public and community sectors will have the skills and tools to design and deliver social policy and related human services. People from both sectors will speak the same language and appreciate each others' perspectives;
- **Outcomes focus** – the public and community sectors will have a shared understanding of what an outcomes based approach means in practice, as applied to policy development, service design, monitoring and evaluation and contracting;
- **Driving innovation in service design** – innovative services will be encouraged through co-design of services, connecting service design to service recipients and front-line service providers and improved service specification; and
- **Joint policy in practice** – the public and community sectors will learn by doing through collaboratively tackling a number of agreed policy and service design challenges. This will include the collaborative development of Agency Implementation Plans which will inform the allocation of Component II funding.

3.1 Monitoring Policy Implementation

Between 1 November 2011 and 31 January 2012 the Department of Finance's Funding and Contracting Services unit has responded to 92 formal enquiries, issues and concerns, compared to 181 in the previous quarter. The nature of these enquiries are summarised as follows:

- Two queries were raised in relation to Component I (six less than the previous quarter). One query related to how the funding should flow on to wages and the second related specifically to eligibility criteria.
- 40 enquiries related to application and interpretation of the DCSP Policy, and requests for Direct Agency Support and/or general discussions on reform progress.
- Five queries were received in relation to the tailored Procurement Vocational Program sponsored by the Department of Finance.
- 41 enquiries raised covering issues such as how the templates should be used in practice and how stakeholders could provide feedback into further template development and review processes.
- Four queries were also raised in relation to Component II funding and sought clarification on the application and allocation processes as well as contact information for obtaining further details.

The majority of enquiries (approximately 88%) and requests came from government agencies. However, the Funding and Contracting Services unit also provided advice and support to the NFP community sector directly and additionally through peak bodies that managed queries and provided advice to their members. An overview of the enquiries, issues and concerns is provided at Appendix 2.

Further detail on the Department of Finance's role in monitoring policy compliance and capability is summarised under the *Funding and Contracting Options* section of the Quarterly Report.

3.2 Cross Sector Engagement

A number of initiatives and activities are ongoing to promote the benefits of cross-sectoral partnership and to encourage the sharing of good practice. A Community Services Procurement Leaders Council (comprising senior procurement practitioners from across government) has been established to support an exchange of information and feedback. The following items were discussed at the Council's meeting this quarter (13 December 2011):

- The release of the *Guidelines to Implementing the DCSP Policy and Associated Procurement Reforms*;
- Tenders WA – Advertising Requests and Contract Award details and for the Council to ensure their agencies are aware that all requests over \$150,000 or any service agreements awarded at a value of \$20,000 or more are to be published on Tenders WA; and
- Fostering Partnership Program –for the Council to encourage their agencies to apply for capacity building funding through the Department of Finance's Fostering Partnership Program, which provides funding for collaborative initiatives between the NFP community sector and government agencies, in line with the *DCSP Policy's* Principles and Behaviours.

The Funding and Contracting Services unit is also working closely with community sector peak bodies, in particular National Disability Services (NDS) and the Western Australian Council of Social Service (WACOSS), to ensure that key messages on the *DCSP Policy* and the associated procurement reforms are reaching NFP community sector organisations across Western Australia. Two officers from the Department of the Premier and Cabinet and two from the Department of Finance have been on placement within community sector peak bodies two days a week to encourage an open exchange of information between the sectors and to assist directly with the peak bodies' capacity building initiatives. These placements ceased at the end of December 2011, with some continuing support to NDS until mid- February 2012.

A monthly *Funding and Contracting Services Bulletin* is sent by email to key stakeholders from across the public and NFP community sectors. The bulletin is also available on the Department of Finance website. The bulletin is one of a number of tools used to share information across the public and the NFP community sectors and to encourage feedback.

The Partnership Forum's Capacity Building Implementation Plan informs both capacity building and communication initiatives across the public and NFP community sectors. A key outcome of the Capacity Building Implementation Plan has been the development of the Fostering Partnership Program, a funding scheme administered by the Department of Finance to support collaborative projects in line with the Partnership Forum's Principles and Behaviours. The application period closed on 3 February 2012 and an overview of the submissions for funding in 2011/12 is provided below:

Number of Submissions	10	Total Value	\$520,396
Successful Submissions	5	Value	\$252,011

Name of Project	Program Partners		Value
Review and co-ordination services for the Department of Education In Community Services Purchasing	Department of Education		\$65,000
Implementing State Government Procurement Reforms	Drug and Alcohol Office	Western Australian Networks of Alcohol and Other Drug Agencies	\$58,940
Transition Resource Project	Department for Communities	Linkwest	\$64,571
Supporting Service Delivery Reforms - Increasing the capacity of the Mental Health Sector	Mental Health Commission	Western Australian Association for Mental Health	\$62,000
Empowering Communities - Winning Tenders with the DCSP Policy	Department of Training and Workforce Development	Linkwest / Career Workforce Development Network	\$1,500

4. FUNDING AND CONTRACTING OPTIONS

4.1 Guidance, Advice and Support

Over the last quarter, the Department of Finance has provided a range of direct support to government agencies and NFP community sector organisations through the provision of advice and the facilitation of targeted training programs. A summary overview of the training and education programs conducted over the last quarter for both the public and NFP community sectors is provided at Appendix 3.

The Department of Finance currently provides direct support (through outplaced officers) to the following agencies:

Agency	Full Time Equivalent
Department for Child Protection	1.0
Department of Corrective Services (commencing 26 April 2012)	0.6
Department of Education	1.0
Disability Services Commission	0.6
Drug and Alcohol Office	0.6
Mental Health Commission	1.0
NFP Community Sector Peak Bodies (NDS and WACOSS until the end of 2011)	0.4 (each)

An extensive training program has been put in place for the first quarter of 2012. This program includes 36 advertised workshops covering a wide range of topics; 22 of which are targeted at the NFP community sector (including seven workshops to be delivered regionally); 11 of which are targeted for government agencies; and the remaining three are cross-sectoral events, open to both NFP community sector and government agencies. Funding and Contracting Services unit officers have met with NFP community sector peak bodies to ensure that each party's training activities are consistent and do not duplicate effort.

Future training for both sectors will focus on the move towards outcomes based procurement (i.e. moving away from prescribing inputs in contracts) and the costing of services with theme based workshops continuing to be delivered regionally, as well as in the metropolitan region. Workshops offered will cover themes such as: Understanding Tenders, Risk Management, Contract Management. Additionally the Funding and Contracting Services unit have received and actioned requests to deliver in house training for both sectors which has resulted in extremely positive feedback.

Feedback in terms of the tailored Community Services Procurement Vocational Program has been extremely encouraging to date. The Department of Finance received and accepted 22 applicants for the program and is currently funding these 22 officers from 10 different government agencies to participate. The program provides an excellent opportunity to develop and build capacity of procurement staff within agencies and is seen as a stepping stone to achieve internationally recognised professional procurement qualifications.

4.2 Capability and Compliance

The capability assessment and compliance review frameworks are designed to provide an indication of an agency's progress towards implementing the DCSP and also assess their procurement maturity.

To date, four pilot reviews (a mix of capability and compliance) have been undertaken with the Departments of Training and Workforce Development, Corrective Services, Communities and the Disability Services Commission. Preliminary reports are provided to these government agencies for comment as a part of the review process prior to the release of final reports.

These reviews have been utilised by the Funding and Contracting Services unit to continue to refine the review methodology. It is anticipated that the Drug and Alcohol Office will be reviewed in mid-April with a refined and revised methodology.

This quarter the Community Services Procurement Review Committee (the Committee) has reviewed two procurement plans (with a combined estimated contract value in excess of \$27 million) and nine evaluation reports (with a combined estimated contract value in excess of \$65 million) from six government agencies. The Committee is continuing to define its role moving beyond peer review of technical procurement documents to identification of risks with proposed strategies, *DCSP Policy* alignment and identification of good practice. Agencies that have put forward submissions to the Committee have commented on the benefits of receiving valuable peer review and ensuring the accountability of major procurement processes with the not-for-profit community sector.

In addition the Funding and Contracting Services unit periodically reviews those community services publicly tendered on the TendersWA and provides feedback where appropriate. The TendersWA system was enhanced in September 2011 to allow for uploaded documents to be identified as Requests (e.g. Request for Tender) under the *DCSP Policy*. Since the functionality enhancement in September 2011, there have been 27 Requests issued and contract award information for 11 service agreements were published on the system.

5. REDUCING THE ADMINISTRATIVE BURDEN

The Department of Finance is committed to ensuring the ongoing relevance of procurement templates released in support of the *DCSP Policy*. A Template Stakeholders Reference Group has been established and met for the first time on 14 November 2011 to provide comment on proposed amendments to the templates. Membership of the Group includes government agency representatives, NFP community peak body representatives and representatives from NFP community sector organisations.

The Reference Group considered 15 proposed templates changes, eight of which were material changes. Recommendations from the Reference Group were submitted to the Template Stakeholders Reference Group Sub-Committee which met for the first time on 24 January 2012 and includes four members from the Reference Group. The Sub-Committee approved the amendments to the templates which will be made available on the Department of Finance website by March 2012.

The TendersWA system has been enhanced to simplify identification of *DCSP Policy* Requests. NFP Community Sector Service Providers can also register on the system to save standard searches and receive notifications of advertised tenders. The use of TendersWA will also reduce the impost of physically delivering multiple hard copy tenders, and encourage and promote transparency of service agreement (contract) award information.

6. CHALLENGES, ISSUES AND GOOD PRACTICE

A number of challenges and issues have arisen during the November 2011 to January 2012 quarter. The key issues from this quarter include ensuring a consistent understanding of the *DCSP Policy*, preparing agencies for Component II and maintaining the momentum of reform.

Current understanding of the *DCSP Policy* and its implications varies between different government agencies and NFP organisations. However, the provision of training programs and direct agency support are assisting both sectors to develop their understanding and further the procurement reforms. This will be further supported through the delivery of Capability Assessments and Compliance Reviews.

The Partnership Forum event on 20 January 2012, brought together staff from the public and not-for-profit community sectors to reflect on progress being made with the reform agenda and what can be expected

going into 2012. Discussion included experiences of the reform to date as well as expectations and clarification on the Component II process. The Partnership Forum's Implementation Working Group will also be looking at key aspects of Component II over coming weeks to help ensure the approach meets the original intent and that both sectors are well informed.

7. NOT FOR PROFIT COMMUNITY SECTOR PERSPECTIVE

In accordance with discussions at the last Partnership Forum meeting in December 2011, NDS and WACOSS have each provided commentary via the Sustainable Funding and Contracting Implementation Working Group on the funding and contracting reforms from the community sector's perspective.

7.1 NDS Report to Partnership Forum – Disability Sector

A Steering Group for Disability Sector Reforms has been convened by the Disability Services Commission to provide a coordinated approach to reform implementation and sector capacity building, as well as coordinated information to the sector. A key issue for the sector is how to move from the current Business Rules framework to inviting disability service organisations to submit a price for their services and move towards becoming a self-directed and cost aware service provider.

Sector organisations have generally reported satisfaction with the level of information they are receiving and are reasonably confident of their understanding of the reforms. In the joint peaks survey in December, 57% of disability service organisations reported high or good awareness of the procurement reforms. Organisations are particularly seeking support in the areas of outcomes based service design, tendering and service pricing. With regard to the latter, 75% of respondents to a recent NDS survey indicated that they would make use of a costing tool if one were developed by NDS. As a result, Curtin University Business School has been commissioned by NDS to develop a costing and pricing tool that serves the specific needs of the disability sector organisations, together with support materials and training.

The implementation of these reforms in the context of individual funding packages that make up approximately 80% of disability services funding is a particular challenge that is being addressed in partnership between the Commission and the sector.

The determination of the future outcomes framework for disability services is an important priority, as a forerunner to the development of sector specific capacity building initiatives with regard to outcomes based service design. The Commission has advised sector representatives that further progress on this front is planned in early April.

7.2 WACOSS Report to the Partnership Forum

Background

WACOSS is pleased to provide the following summary on the funding and contracting reform activities and contribution to the SFCIWG as part of general feedback to the Partnership Forum on the progress of the Reform Implementation roll out. This is the first of the proposed quarterly inputs to the Partnership Forum that WACOSS has provided. (as requested Meeting No 2 -1 March 2012.)

This is an indication of views and feedback from the community sector providing a snapshot of matters that have been compiled through the analysis of sector requests for support, monitoring of issues, consultations and the sector survey.

Status of implementation

In the last quarter of 2011 WACOSS together with community sector peaks conducted a Sector Capacity Assessment Survey. At this time the funding and contracting reform process was in an early phase of delivery; with the focus of discussion primarily upon explaining the changes in the Delivering Community Services in Partnership (DCSP) policy.

Since this time various Agencies have reviewed their own "internal" agency readiness, considering their funded services and contracting requirements. Different Agencies have adopted slightly different approaches when dealing or responding with their funded services such as to roll over contracts and agreements or review their funded services in relation to applying the new DCSP policy. Effectively this has staggered the rollout of the reforms throughout the sector, and created the situation where different services and organisations are at different stage of implementation. As a consequence involvement and exposure to DCSP is not uniform and dependent upon the approach adopted by the Agency. This could be an opportunity for the development of strategies that utilise the transfer of learnings and sharing of better practice at government level to prevent reoccurring issues.

Key Feedback

- The staggered roll outs has slowed down the reform impact, at this stage there is evidence of different interpretations and variations between agencies at a process level, limited cross agency sharing of best practice and some discrepancies in information provision. As a consequence there is a corresponding community service sector set of pockets of " low or high activity" dependent upon agency decision making as agreements are rolled out and approaches applied.
- It is evident that Department of Finance has created a well-developed strategy and program of information since last year and the range of web material and workshops reflect a sound level of required general information provision for services impacted upon by the reform.
- The sectors needs are shifting gradually toward greater practical orientation, reflecting a need for customised, accessible "expert advice" particularly contextualised for the community service sector –not for profit business models. This suggests we expect to see increases in the demand for responsive and proactive NFP strategies designed and contextualised for small, medium NFP business circumstances, moving away from general contracting and funding based information, once a basic level of engagement and awareness has been achieved. This demand while slight at this stage is likely to increase as reforms and service agreements are rolled out.
- From those participating in various processes feedback suggests :
 - Evidence that the intent of reducing administrative burden and making things easier may not be working for both parties or all tender or agreement processes.
 - Evidence of a need for active alignment between service agreement renewal or tendering process and the provision of support with the reforms.
 - General "mood" indicators suggest smaller organisations had experienced considerable difficulty.
- The provision of inconsistent information from agencies in relation to requirements of indexation and various other areas and limited clarification around the process for handling of issues in a tender matter or room for point of difference advice has caused a degree of confusion and concern in the sector.
- There has been an indication that some tendering processes have not been conducive or supportive of partnerships – but rather this has been discouraged due to the complexity of creating

one. There was confusion with associated practices such as if an organisation did win the bid as a partnership, that the Agency could remove a partner and put in another of their preferred providers, undermining the relationships between partner organisations.

- There are also positive interactions between Agency and specific sectors which are reflecting considered and consultative approaches in the implementation of the DCSP policy. It is important that these interactions are documented and used to promote better practices and serve as examples of DCSP implementation.

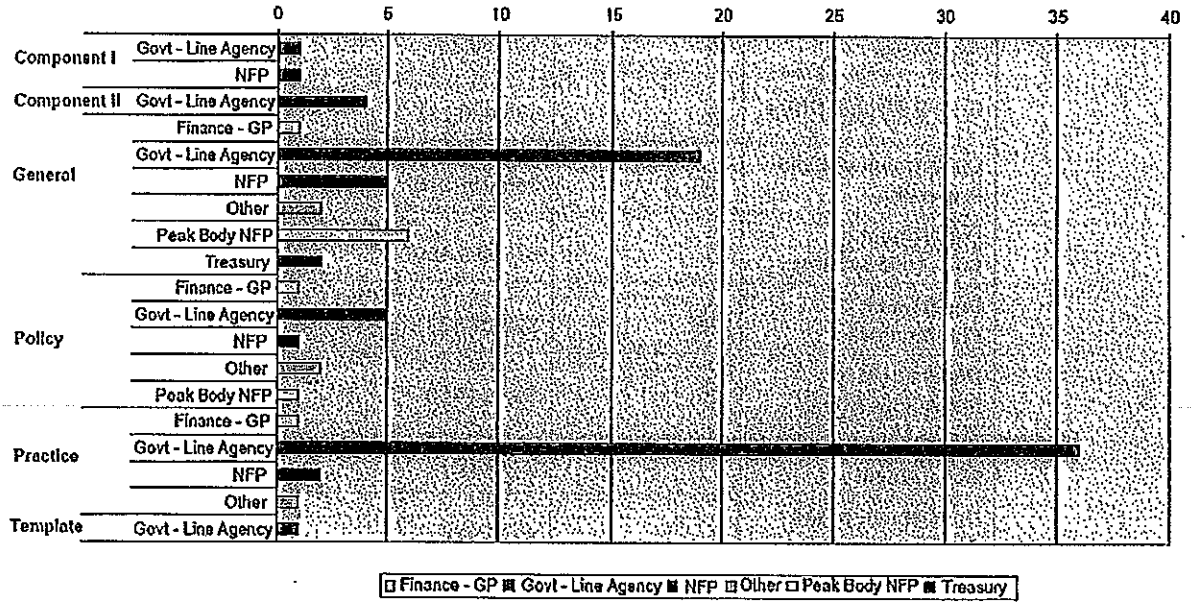
The Summary Report of Survey, *Community Sector Capacity Assessment - Funding and Contracting Reform* is at Appendix 4.

APPENDIX 1

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Department of Education	23	\$12,384,098	\$6,143,466
Department of Health	162	\$87,281,233	\$59,172,172
Department of Housing	18	\$10,576,281	\$6,661,314
Legal Aid Commissioner	14	\$2,695,670	\$2,135,048
Mental Health Commission	120	\$51,417,826	\$32,382,374
WAPolice	1	\$897,000	\$867,000
TOTAL		\$697,945,677	\$495,530,243

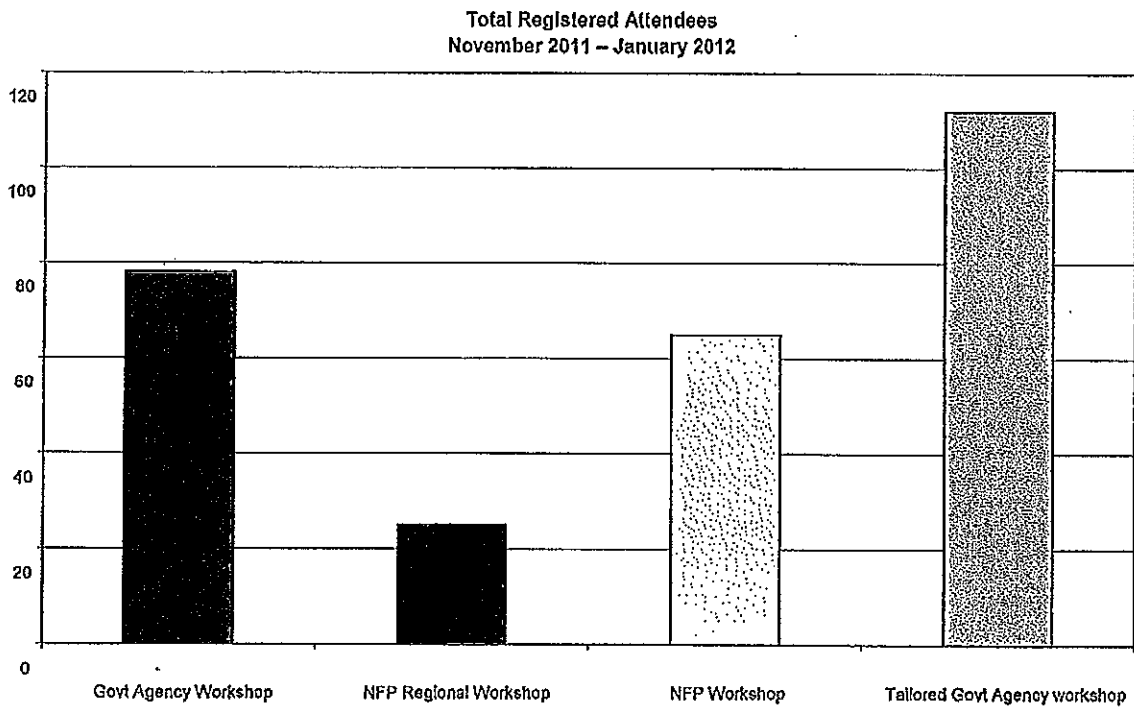
APPENDIX 2

Total Enquiries
November 2011 – January 2012



Other refers to enquiries from Local Government, Inter-jurisdictional agencies etc

APPENDIX 3



APPENDIX 5