



Government of **Western Australia**
Department of **Health**

Western Australian FHRI Fund Governance Framework

Research Development Unit

Clinical Excellence Division

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Table of Contents

<i>i. Preamble</i>	i
1. Introduction	1
1.1. Purpose.....	2
1.2. Legislative context.....	2
1.3. Key principles	3
2. WA FHRI Fund governance structure decision-makers, advisors and operational support	3
2.1. The State Government	3
2.2. The Department of Health	4
2.3. The WA FHRI Fund Advisory Council.....	5
2.4. Expert committees	7
3. WA FHRI Fund supporting strategic instruments	8
3.1. The Western Australian Health and Medical Research and Innovation Strategy	8
3.2. The WA FHRI Fund Priorities	8
3.3. The WA FHRI Fund Programs and Initiatives	9
4. Financial management	11
4.1. The Treasury FHRI Fund	11
4.2. The FHRI Account	11
5. Degree of Ministerial direction and control	11
6. Risk management	12
6.1. Clear reporting and accountability relationships are not established and maintained	12
6.2. Objectives are not adequately defined and/or adhered to	12
6.3. Advisors do not have the required skills and experience	13
6.4. Decisions are criticised	13
6.5. Conflicts of interest are not identified and managed appropriately	13
6.6. Net research and innovation activity do not increase	13
6.7. Risks are not identified and managed appropriately	14
7. Reporting	14
8. Review	14
9. Evaluation	15
9.1. Operational performance	15
9.2. Research impact.....	15
APPENDIX A: GOVERNANCE FRAMEWORK RELATIONSHIPS	17
APPENDIX B: GOVERNANCE FRAMEWORK PROCESS MAP	18
APPENDIX C: STRATEGIC INSTRUMENTS DEVELOPMENT CYCLE	19
APPENDIX D: OPERATIONAL SCENARIOS	20

i. Preamble

This Governance Framework has been developed to accompany the Western Australian Future Fund Amendment (Future Health Research and Innovation Fund) Bill 2019. However, to allow the Governance Framework to be internally consistent, and to minimise repetitive reference to future events, it has been drafted as if the legislation has been enacted and external dependencies are in place.

1. Introduction

The State Government has committed to establishing the Western Australian (WA) Future Health Research and Innovation (FHRI) Fund, which is enabled by the *Western Australian Future Health Research and Innovation Fund Act 2012* (the Act).

The WA Future Health Research and Innovation (FHRI) Fund will drive health and medical research (hereafter referred to as ‘research’) and health and medical innovation and commercialisation (hereafter referred to as ‘innovation’) and, ultimately, improve the health and prosperity of Western Australians by providing a long-term, secure source of funding for research and innovation in WA.

For the purposes of the *WA FHRI Fund Governance Framework* (the Framework), the definitions below are used to aid interpretation of the activities of the WA FHRI Fund.

The term ‘**research**’ is inclusive of¹:

- (a) *research to understand human health, wellbeing and disease, and the biological, behavioural, social and environmental factors that contribute to these*
- (b) *research to measure the magnitude and distribution of a health problem*
- (c) *research to develop solutions, interventions, products and technologies that could contribute to improving human health and wellbeing*
- (d) *research to understand how interventions, policies and programs aimed at improving human health and wellbeing can be most effectively delivered.*

The term ‘**innovation**’ is inclusive of²:

- (a) *the application and commercialisation of the outputs of **research** for the purpose of improving the health and wellbeing of human beings*
- (b) *the development and delivery of new or improved health policies, systems, and services and delivery methods that seek to improve people’s health.*

However, it is noted that the WA FHRI Fund does not seek to provide funding that would:

- (1) replace other research or innovation funding
- (2) subsidise activities that a potential funding recipient should be undertaking as part of their normal business activities.

In regard to (1), this may include the grant programs of the National Health and Medical Research Council (NHMRC) and other funders. In regard to (2), this may include quality improvement activities, or delivery of clinical or health services for which evidence of efficacy already exists.

The WA FHRI Fund will include two funding streams: one for research; and one for innovation.

The research stream will increase WA’s capabilities in terms of people, rapid translation of research into practice and research-enabling infrastructure. It will also provide matching funds for high-quality applications to national and international funders to increase their chance of winning major grants.

¹ Adapted from the definition of ‘research for health’ used in the *World Health Organization Strategy on Research for Health, 2012*

² Adapted from the definition used in the *Medical Research Future Fund Act 2015 (Cth)* and from the *World Health Organization Innovation Group definition* (online; accessed 5/7/2019, <https://www.who.int/life-course/about/who-health-innovation-group/en/>)

The innovation stream will also increase the State's capabilities in terms of people and translation but in the context of innovation, and will back new and innovative ideas for the delivery of health care in WA's unique setting.

The WA Future Fund (WAFF) was repurposed to provide a long term funding source for research and innovation, which is given effect through the WA FHRI Fund. The WAFF was originally established under the *Western Australian Future Fund Act 2012* to set aside and accumulate a portion of the revenue from the State's finite mineral resources for the benefit of future generations. It was established with 'seed capital' from the Royalties for Regions Fund. Since 2016, the WAFF has been credited each year with one per cent of the State's forecast annual royalty income. This arrangement is maintained in the Act with forecast annual royalty income being credited to the Western Australian Future Health Research and Innovation (FHRI) Fund (see section 4.1). The Minister for Health (the Minister) has overall responsibility for the Act but the Treasurer is responsible for those sections related to the management and investment of the capital.

The WA FHRI Fund will be maintained as a long-term sovereign wealth fund, the investment income from which will provide the financing stream for the WA FHRI Fund research and innovation support activities. Disbursements will be strategically targeted. Robust, transparent, peer-reviewed selection processes will be used to ensure the world-class quality of the applications funded.

1.1. Purpose

The Framework provides guidance in relation to key features of the WA FHRI Fund, which support its effective and responsible operation and promotes accountability and transparency of decision-making.

The Framework defines the roles and responsibilities of decision-makers and advisors, sets out strategic instruments that will guide how the fund supports research and innovation, and the financial management arrangements underpinning the sovereign wealth fund.

Roles and responsibilities of decision-makers and advisors are designed so as to support the purpose of the Framework, thereby:

- promoting consistency in the structure and function of the Framework's components over the long-term
- reducing duplication of roles
- preventing scope creep in the decision-makers' and advisors' roles
- incorporating consideration of risk in all elements of the governance structure.

1.2. Legislative context

The Framework has both statutory and policy underpinnings. The Act establishes the two accounts of the WA FHRI Fund: the FHRI Fund (which will be referred to in this document from hereon as the 'Treasury FHRI Fund' to avoid confusion with the WA FHRI Fund - see section 4.1), which holds the fund's capital; and the FHRI Account (see section 4.2), which is the operational account that is used to support Programs and Initiatives (see section 3.3). The Act specifies how each account will be managed and how money in the FHRI Account (see section 4.2) can be applied, which will be in accord with the object of the Act. The object of the Act has four aims:

1. *improving the financial sustainability of WA's health system*
 2. *improving the health and wellbeing of Western Australians*
 3. *improving WA's economic prosperity*
-

4. *advancing WA to being a national and international leader in research and innovation.*

The Act also gives the Minister power to establish an advisory group (the Advisory Council) (see section 2.3) to provide advice to the Minister and the Department of Health regarding matters relevant to the object of the Act. The Framework also specifies that the Advisory Council provides expert oversight and develops key strategic instruments of the Framework (see section 3). The Advisory Council is guided by the Act, the Framework, its own governing documents and, where applicable, Public Sector Commission policies.

The WA Health and Medical Research and Innovation Strategy (the Strategy) (see section 3.1) and the WA FHRI Fund Priorities (the Priorities) (see section 3.2) are integral to the Framework but are not established under the Act.

The State Government has roles and responsibilities in the WA FHRI Fund governance structure (see sections 2.1 and 2.2). These roles are subject to legislation applicable to government agencies, which in the context of the WA FHRI Fund may include the *Financial Management Act 2006*, the *Public Sector Management Act 1994*, the *Auditor General Act 2006*, the *State Records Act 2000* and the *Freedom of Information Act 1992*, among others.

1.3. Key principles

The key principles of the Framework have been informed by the Public Sector Commission's *Principles of good governance for boards and committees* and the design principles identified in the *Baseline review for the Future Health Research and Innovation (FHRI) Fund – Final Report* (Deloitte Access Economics, September 2018).

These key principles are as follows:

- The roles and responsibilities of the decision-makers and advisors in the governance structure are clear and understood.
- A culture of responsible and ethical decision-making is promoted.
- Decision-making processes are transparent and explicitly deal with potential, perceived and actual conflicts of interest.
- Accountability is appropriately assigned and understood.
- Relevant risks are identified and managed.

2. WA FHRI Fund governance structure decision-makers, advisors and operational support

The WA FHRI Fund governance structure contains government and non-government entities, some of which are well-established, while others are newly created for the WA FHRI Fund. This section defines the different decision-makers, advisors and operational support of the Framework, including their roles, responsibilities and key features. A diagrammatic representation of the relationships between the Framework's decision-makers, advisors and operational support is presented in Appendix A. A process map of the interaction between decision-makers, advisors and operational support is presented in Appendix B.

2.1. The State Government

Establishment of the WA FHRI Fund is a State Government commitment. As the remit of the WA FHRI Fund spans government agencies, its activities must take into account relevant

policies (e.g. the *WA Government Intellectual Property Policy 2015*) and strategies (e.g. the *Western Australian Innovation Strategy 2016*).

Cabinet, the Minister and the Treasurer each has a direct role in the governance of the WA FHRI Fund, as described below.

Cabinet

The Minister approves the Strategy (see section 3.1), which is subsequently presented to Cabinet for its reference. Cabinet, via the Expenditure Review Committee's (ERC) role in the State Government's annual budget process, also advises on annual expenditure for WA FHRI Fund Programs and Initiatives.

The Minister for Health

The Minister has overall responsibility for the WA FHRI Fund and its enabling legislation due to the alignment of the fund's purpose with the functions of the Health portfolio. The Minister is also the State Government sponsor of the WA FHRI Fund, with a role in presenting the Strategy to Cabinet and reporting on the operational performance of the FHRI Account (see section 4.2) and the Programs and Initiatives it supports.

The Minister approves the Strategy and Priorities (see sections 3.1 and 3.2) on the recommendation of the Advisory Council (see section 2.3), while the Programs and Initiatives (see sections 3.3) and Evaluation Framework (see section 9) are approved by the Minister based on the recommendation of the Department of Health Chief Executive Officer (the Director General). The Minister also approves Evaluations, conducted in accord with the Evaluation Framework, upon the recommendation of the Advisory Council.

The Minister may only approve Strategies and Priorities that are recommended by the Advisory Council, and Programs and Initiatives that are recommended by the Director General. The Minister cannot instruct the Advisory Council to recommend a Strategy or Priority, or instruct the Director General to recommend a Program or Initiative.

The Treasurer

The Treasurer will engage the WA Treasury Corporation (WATC) to manage investment of the Treasury FHRI Fund's capital.

2.2. The Department of Health

The Department of Health will assist the Minister to administer the Act and is the State Government agency with responsibility for managing and/or supporting the decision-makers and advisors of the WA FHRI Fund. The Director General and the Research and Innovation (R&I) Office are both directly involved in the WA FHRI Fund governance structure.

Director General

The Director General performs a central coordination role for the WA FHRI Fund and administers the FHRI Account on behalf of the Minister. The Director General recommends the Programs and Initiatives to the Minister. The R&I Office reports to the Director General.

The Research and Innovation Office

The R&I Office is a unit within the Department of Health, which is funded by the Department of Health, not from the FHRI Account. The Department of Health will ensure that the R&I Office has sufficient resources to support the WA FHRI Fund. The R&I Office provides the operational capacity for the WA FHRI Fund, in addition to other functions such as developing research and innovation policy for the Department of Health. The R&I Office supports the Advisory Council to develop the Strategy, is responsible for developing and maintaining the Governance Framework and Evaluation Framework for the WA FHRI Fund (see section 9), implementing WA FHRI Fund Programs and Initiatives and managing them post-award, and provides secretariat support to the Advisory Council. The R&I Office assembles Expert Committees to support the Advisory Council, the Minister and the Department of Health as required. The Advisory Council, Expert Committees and R&I office are all subject to a three-yearly Performance Review, the outcomes of which will be published in the WA FHRI Fund Annual Report. Key performance criteria for the R&I Office include effectively supporting the Advisory Council and managing Expert Committees. Additional criteria include ensuring integrity and efficiency in the development, implementation and post-award management of Programs and Initiatives.

2.3. The WA FHRI Fund Advisory Council

Functions

The Act specifies that the Advisory Council will provide advice to the Minister and the Department of Health regarding matters relevant to the object of the Act. The Framework sets out additional functions of the Advisory Council, as listed below.

- The Advisory Council is responsible for developing the Strategy and Priorities and provides advice on the relative proportion of funding that should be allocated between Priorities.
- The Advisory Council leads consultations that will determine the Strategy.
- The Advisory Council oversees evaluations of the performance and benefits of the WA FHRI Fund and presents these to the Minister.
- The Advisory Council has an assurance role in that it advises the Minister on whether Programs and Initiatives have been developed appropriately and whether they are aligned with the Priorities.
- The Advisory Council does not have a direct role in determining recipients of funding but does provide assurance that the peer-review or other funding determination methods used have been carried out appropriately.
- The Advisory Council will lead the development of position and discussion papers on emerging issues or opportunities.
- The Advisory Council is also responsible for the five-year vision statement for the WA FHRI Fund and its periodic re-setting. The vision statement describes what the WA FHRI Fund will be in five years' time if it is successful in achieving its goals. The Advisory Council will consult with stakeholders, including the government, to determine the vision statement.

Membership

The Act provides that the Advisory Council will consist of the members listed below.

- i. A person with experience representing the community.
- ii. A person considered to be expert in research.
- iii. A person considered to be expert in innovation.

- iv. The Director General, or nominee (non-voting).
- v. Chief Executive Officer, or nominee, of the State Government Department that the Minister considers is most relevant to the needs of the WA FHRI Fund (non-voting).
- vi. At least three other individuals whom, taken together, the Minister considers will provide a suitable blend of expertise and experience.

The Minister may nominate one of the above as the Chair other than the members outlined in (iv) and (v). The Minister appoints members for a term of up to five years and may reappoint a member to the Advisory Council.

At least one of the Advisory Council members will have experience in dealing with issues related to Aboriginal³ health. This is in recognition of the Government's commitment to building a new relationship with Aboriginal people and communities and acknowledges the complex health issues that currently face Aboriginal people and communities in Western Australia. Under the Framework, it is preferred that this member will be Aboriginal.

At least one member of the Advisory Council will have significant experience in or knowledge of country and regional Western Australia health issues.

The Framework sets out additional requirements for the Advisory Council, which are described below:

- In order to provide additional links to national and international opportunities while also minimising perceived conflicts of interest, the research and innovation experts (see (ii) and (iii) above) will not normally be based in WA. At all times, at least one of the research and innovation expert positions will not be based in WA.
- In regard to (vi) above, these members must be selected from the following fields of expertise:
 - Business, finance, investment, law or corporate governance.
 - Philanthropic, charitable, or not-for-profit sectors.
- Terms of inaugural members will be staggered such that no more than half of members' terms will finish at the same time.
- Members may be reappointed but may not serve for more than ten years in total.
- The Chair is responsible for monitoring the collective knowledge and experience balance of the Advisory Council and notifying the Minister of any current or predicted deficiencies. If the Chair identifies that changes to membership of the Advisory Council will result in deficiencies that cannot be addressed within the preferred eight-member council, additional members may be appointed (subject to approval by the Minister).
- In appointing new members to the Advisory Council, the Minister must be satisfied that the required collective knowledge and experience balance will be maintained.

The Act also provides protection for members, and former members, from civil liability for acts done in good faith as members on the Advisory Council.

Governance

The Advisory Council reports to the Minister. The Act requires that the Minister establishes and maintains the Advisory Council. The Minister may determine matters related to the operations

³ Within Western Australia, the term Aboriginal is used in preference to Aboriginal and Torres Strait Islander, in recognition that Aboriginal people are the original inhabitants of Western Australia. No disrespect is intended to our Torres Strait Islander colleagues and community

and procedures of the Advisory Council. The Act also specifies the Advisory Council's functions and membership.

The provisions in the Act are supported by governing documents for the Advisory Council, which are aligned with recommendations and guidelines of the Public Sector Commission, and include a Charter, Strategic Plan and Code of Conduct, in addition to policies regarding identifying, recording and addressing conflicts of interest.

The performance of individual members and the Advisory Council as a whole are reviewed every three years, as are the R&I Office and the Expert Committees. The outcomes of these reviews will be included in the Annual Report for the WA FHRI Fund (see section 7). Key performance criteria include adherence to the Advisory Council's Strategic Plan and relevant governance policies, transparency of recommendations, particularly in regard to Priorities, and effective engagement with stakeholders. Performance Reviews are considered by the Minister against clearly defined standards in the Advisory Council's Charter and Strategic Plan.

The Advisory Council does not have a direct role in determining Programs, Initiatives, or recipients of funding from the WA FHRI Fund.

Remuneration, allowances and expenses of the Advisory Council

The Act provides that members may be remunerated to an amount decided by the Minister based on the recommendation of the Public Sector Commissioner.

Only members of the Advisory Council who are not public sector employees will be remunerated, with the remuneration amount determined by the Minister on the recommendation of the Public Sector Commissioner. Such remuneration and all other expenses and costs that are reasonably incurred by the Advisory Council in the performance of its functions will be paid for by the Department of Health and will not be drawn from the FHRI Account.

Disclosure of interests

If a member has a material personal interest in a matter being considered, or about to be considered, by the Advisory Council, that member will disclose the details of the interest as soon as the member becomes aware of it, or at the meeting of the Advisory Council. Failure to disclose an interest prior to the relevant matter being considered by the Advisory Council may be grounds for the termination of appointment of a member.

Termination

The Minister may terminate the appointment of a member, other than the members outlined in (iv) and (v). Reasons for termination may include if, in the opinion of the Minister, the member in question: is unable to perform the functions of the office; neglects his or her duties; or has done anything, or omitted to do anything, that may adversely affect the functioning of the Advisory Council. Grounds for termination may be established in the appointment instrument of a member or in the governance documents for the Advisory Council.

2.4. Expert committees

Expert Committees may be established to provide advice on specific issues on an *ad hoc* basis, and in regard to Programs and Initiatives and the assessment of proposals for funding. Expert Committees are normally time-limited and each will have a clearly defined scope as well as more general terms of reference related to conflicts of interest and ethical conduct. However,

standing Expert Committees may be established where ongoing advice is required, such as for innovation. Existing State Government advisory groups may also be utilised in the function of an Expert Committee but will maintain their own governance arrangements. Interstate and international members may be enlisted to Expert Committees as required.

The three-yearly Performance Review also applies to Expert Committees that were established in the three-year period being reviewed. Key performance criteria for Expert Committees include appropriateness and transparency of recommendations, particularly in regard to peer-review selection processes, and the quality and efficiency of their meetings. Performance of Expert Committees will be included in the Annual Report that corresponds to the year in which the Performance Review is completed.

Expert Committees are accountable to the R&I Office but may be established at the request of the Minister, the Advisory Council, the Director General or the R&I Office itself.

3. WA FHRI Fund supporting strategic instruments

The WA FHRI Fund has a mandate to strategically pursue fulfilment of the object set out in its enabling legislation. Three main instruments are available to the WA FHRI Fund to assist in determining where funding support should be focussed, and how. A flow diagram showing the development cycle of the instruments is presented in Appendix C.

3.1. The Western Australian Health and Medical Research and Innovation Strategy

The Strategy provides a high-level vision and goals for research and innovation in Western Australia and forms the basis from which the Priorities are derived. The Advisory Council leads development of the Strategy and the extensive consultations that inform this process. The Advisory Council recommends the Strategy to the Minister for approval. Consultations will include consumers, private industry, investors, philanthropists, policy-makers, research and innovation funders, research and innovation organisations, researchers, innovators and educators. The Strategy will also be informed by State Government-endorsed reports and reviews that are relevant to research and innovation, such as the *Sustainable Health Review Final Report* (2019). Approximate gender equity will be achieved in group consultations and inclusion of a high proportion of early- and mid-career stakeholders will be prioritised. The R&I Office supports the Advisory Council in the development of the Strategy, including assisting with the consultations led by the Advisory Council. The inaugural Strategy applies to a three-year period but the duration of subsequent Strategies will be five years. The inaugural Strategy was developed prior to establishment of the Advisory Council.

3.2. The WA FHRI Fund Priorities

A Priority is an approach, need or opportunity that has been determined to be critical to achieving the vision of the Strategy that is in place at the time and that aligns with the purpose of the WA FHRI Fund, as described in the Object of the Act.

The Priorities are prepared by the Advisory Council and subsequently provided to the Minister for approval. The Minister cannot approve Priorities other than those recommended by the Advisory Council, nor may she/he instruct the Advisory Council to recommend a particular Priority. In some instances, the Advisory Council may provide the Minister with Priority options from which to choose. The Advisory Council will recommend a relative proportion (between one and 100 per cent) to each Priority in a set, which will include a quarantined amount for

innovation Programs and Initiatives. The funding proportions recommended by the Advisory Council will determine the funding amount made available to Programs and Initiatives for that priority. The full proportion of funding allocated to a priority will only be committed if the applications received are of a suitable quality. Each set of Priorities, and the rationale and process for their development, will be published online once they have been approved by the Minister.

The duration of the Priorities will match that of the Strategy in place at the time. However, some Priorities may be designed from the outset to have durations shorter than the Strategy. Priorities will be reviewed by the Advisory Council at the mid-point of their lifecycle. The purpose of the review is to refine and/or refocus the Priorities to ensure continued alignment with the Strategy and the objectives of the WA FHRI Fund. The Advisory Council may propose that Priorities are added or removed at the mid-cycle review and the relative proportion of funding allocated to each may be amended to reflect changing needs and opportunities and the quality of submissions being received. All proposed changes will be approved by the Minister.

3.3. The WA FHRI Fund Programs and Initiatives

A Program or Initiative is a WA FHRI Fund construct through which funding is directed to a specific purpose and that contributes to achieving one or more Priority. The Department of Health is responsible for developing and implementing Programs and Initiatives and managing them post-award. However, the Advisory Council provides oversight and assurance that the Programs and Initiatives have been developed and implemented appropriately and in alignment with the Priorities. Programs and Initiatives are approved by the Minister based on the recommendation of the Director General. The Minister cannot approve Programs and Initiatives other than those recommended by the Director General, nor may he/she instruct the Director General to recommend a particular Program or Initiative. In some instances, the Director General may provide the Minister with Program or Initiative options from which to choose.

A diagrammatic representation of the implementation of hypothetical Programs and Initiatives is presented in Appendix D. Further information is presented below.

Design features

- Programs and Initiatives will be designed to complement, not replace, other sources of competitive funding, such as the NHMRC.
- Wherever possible and appropriate, Programs and Initiatives will be based around co-funded, collaborative arrangements.
- Programs and Initiatives will be informed by engagement with local funders, such as other State Government agencies and charitable organisations, to explore partnership opportunities, prevent duplication of effort and encourage greater, rather than reduced, funding commitments from such funders.
- Within relevant legislative constraints, Programs and Initiatives may result in the State Government receiving equity or other consideration in return for the funding provided.
- The Advisory Council provides assurance that the Programs and Initiatives align with one or more Priorities that are in place at the time.

Eligibility and selection processes

- It is acknowledged that research and innovation are increasingly national and international cooperative undertakings. However, Programs and Initiatives will provide direct returns to WA. Therefore, the leads for Programs and Initiatives are expected to

be based in WA and a large proportion of the funding allocated will be expended in the State.

- Competitive, peer-review selection processes, based on those used by the NHMRC, will be the primary means by which recipients of funding through Programs and Initiatives will be determined. However, innovative selection processes may be required in some instances to fulfil the purpose of a given Program or Initiative. The Advisory Council provides assurance that appropriate processes are chosen for Programs and Initiatives and due process has been followed.
- Quality improvement, clinical audit and standard clinical practice activities of WA Health Service Providers will not be eligible for support by the WA FHRI Fund. Likewise, implementation activities that do not contain a substantial new research and/or innovation component are considered to be the responsibility of Health Service Providers and will not be eligible for funding through Programs or Initiatives.
- Information regarding the outcomes from the selection process for each Program and Initiative, including features of the peer-review process used, will be published online after funding decisions are made, and in the Annual Report (see section 7).

Market-led proposals

The Framework recognises that the research and innovation sectors may identify valuable opportunities that align with the Priorities in place at the time but are not appropriate for application to an open Program or Initiative. Therefore, the WA FHRI Fund will utilise the State Government's *Market-led Proposals Policy*⁴ and processes to provide a clear, transparent and consistent pathway for consideration of such 'market-led' proposals. Key features of the Market-led Proposals process include:

- Guidance documents are provided by the Department of Finance, including eligibility and evaluation criteria, level of information required, timelines and templates.
- It is encouraged that potential proposals are discussed with the Market-led Proposals Secretariat prior to submission.
- Proposals must clearly align with at least one Priority in place at the time and with the overarching criteria for Market-led Proposals (Strategic Alignment; Public interest; Value for money; Feasibility; Risk; and Justification for exclusive negotiation).
- Proposals must be submitted to the Market-led Proposals Secretariat, which will determine if the proposal should proceed through the central pathway (administered by the Market-led Proposals Steering Committee), or the lead agency pathway (the Department of Health for most WA FHRI Fund proposals).
- Four stages of review are used, regardless of whether the proposal progresses through the central or lead agency pathways: Pre-qualification review; Concept evaluation (Stage 1); Business case evaluation (Stage 2); Negotiation of final binding offer (Stage 3).
- A summary of each Market-led Proposal received and the outcome of the evaluation process is disclosed at the end of stages 1, 2 and 3.
- While government will endeavour to respect confidential nature of Market-led Proposals, the onus is on proponents to not disclose sensitive information.

Proposals submitted directly to the Minister, the Advisory Council, the Director General or the R&I Office will not be considered and proponents will be advised to contact the Market-led Proposals Secretariat.

⁴ *Market-Led Proposals Policy, Department of the Premier and Cabinet, January 2019*

Funding is not reserved from the WA FHRI Fund's budget for Market-led Proposals. Therefore, the capacity of the WA FHRI Fund to support eligible proposals will depend on the availability of uncommitted WA FHRI Fund money, an opportunity being available to reprioritise committed money (generally only available at the mid-point review of Priorities) or an alternate government funding source.

4. Financial management

The WA FHRI Fund is supported by two accounts established in the Act: a Treasurer's special purpose account (the Treasury FHRI Fund) and a Department of Health agency special purpose account (the FHRI Account). Each of the Departments of Treasury and Health is responsible for the management of their respective accounts, and does so in accordance with relevant accounting standards and legislation.

4.1. The Treasury FHRI Fund

Moneys to the credit of the Treasury FHRI Fund are invested by the Treasurer with the WATC under the *Financial Management Act 2006* and in a manner that is consistent with the investment and credit policies approved by the Treasurer. The Treasury FHRI Fund is reported in an appendix to the Economic and Fiscal Outlook budget paper of the State Government (Budget Paper 3). The Treasury FHRI Fund is credited annually with one per cent of forecast mineral royalty income for the financial year, investment income and surplus moneys from the FHRI Account (subject to a joint written direction of the Minister and the Treasurer). The Treasury FHRI Fund will be charged annually for an amount equivalent to forecast investment earnings. The investment earnings are to be forecast at budget time and will be articulated in an Appendix to Budget Paper 3.

4.2. The FHRI Account

The FHRI Account is the operational account. The FHRI Account will be credited annually with moneys equivalent to earnings forecast from investing the Treasury FHRI Fund and articulated in an Appendix to Budget Paper 3. The FHRI Account is subject to conditions that apply to all State Government agency special purpose accounts, including those set out in the *Financial Management Act 2006* (except section 20 of the *Financial Management Act 2006*, which is disapplied by the Act) and related Treasurer's Instructions. Moneys credited to the FHRI Account will be held there until expended or the Minister and the Treasurer agree that surplus moneys be returned to the Treasury FHRI Fund. The budget for the FHRI Account will be approved through standard State Government budget process and, as such, will be considered by the ERC of Cabinet after endorsement by the Minister. The budget submission endorsed by the Minister will be consistent with the Strategy and Priorities. The Director General, or a duly authorised delegate, will provide approval for funds held in the FHRI Account to be expended in accord with the budget approved by the Minister and ERC. The FHRI Account can only be applied to support research and innovation activities through approved Programs and Initiatives. Administrative costs, such as those incurred by the Advisory Council, R&I Office and Expert Committees, will be met by the Department of Health.

5. Degree of Ministerial direction and control

Ministerial direction and control refers to the extent to which an entity operates under the direction and control of Executive Government. In the context of the Framework, the

Departments of Health and Treasury are subject to full Ministerial direction and control. The Advisory Council is established in line with the Public Sector Commission's definition of a statutory advisory or consultative board and reports to the Minister.

Expert Committees will operate under similar conditions as the Advisory Council in regard to Ministerial direction and control, except that they are accountable to the R&I Office and do not have a statutory basis. Where the Expert Committee is providing recommendations for funding to particular entities, it is completely independent of Ministerial and Department of Health direction. However, neither the Minister nor the Department of Health is bound by recommendations provided by the Advisory Council or an Expert Committee.

6. Risk management

The Framework has been designed to provide a robust, transparent and accountable decision-making process for the direction of, and disbursements from, the FHRI Account. Each stage in the WA FHRI Fund's Process Map (see Appendix B) has been assigned appropriate expertise and responsibilities, ensuring efficient and authoritative recommendations are provided to decision-makers. However, it is still important to address risk exposure associated with the Framework in a systematic manner and to implement tailored risk prevention and remediation plans.

The main risks that are inherent to the Framework are described below.

6.1. Clear reporting and accountability relationships are not established and maintained

If clear reporting and accountability relationships are not established and maintained, there is a risk that the integrity of the function that each entity in the Framework fulfils will be compromised. Moreover, if interactions are not constrained to a defined decision-maker/advisor/operations relationship, there is a risk that the Framework will become complex, unwieldy and unpredictable. These risks are minimised by the clear definition of roles and responsibilities in the Framework (see sections 2 and 5); however, further definition of these relationships is provided through Terms of Reference and Charters (where applicable) for the Advisory Council and Expert Committees. Periodic reporting on activities of these groups will track conformity with the relationships defined in the Framework.

6.2. Objectives are not adequately defined and/or adhered to

Decision-makers, advisors and operational support may not adequately define and adhere to objectives set by or for them regarding the Strategic Instruments and the WA FHRI Fund as a whole. The consequences of this risk eventuating are that the Strategic Instruments of the Framework will be inappropriate or incomplete, advice to the State Government will be ill-informed and, ultimately, the WA FHRI Fund will not realise its full potential.

The Framework exercises control over this risk by clearly defining:

- the purpose of the Framework
- the roles of the decision-makers, advisors and operational support
- the purpose of each of the Strategic Instruments of the Framework
- reporting requirements.

Further granularity of control over objectives is achieved through governance documents of the Advisory Council, including its Charter, its Statement of Intent in response to the Minister's Statement of Expectation and an Evaluation Framework for the performance of the Advisory Council and its individual members. Expert Committee objectives are defined in Terms of Reference and monitored through an evaluation framework.

6.3. Advisors do not have the required skills and experience

If the Advisory Council and Expert Committees do not have the required skills and expertise, the quality of recommendations these bodies make may be negatively impacted. This risk is especially relevant when appointing new members and when a member withdraws from the Advisory Council or an Expert Committee.

A skills matrix will be maintained for the Advisory Council and for each Expert Committee. The Chair of the Advisory Council is responsible for succession planning for Advisory Council members and in the event that a significant skill gap arises, the Chair will raise this with the Minister.

6.4. Decisions are criticised

Potentially, each of the Strategic Instruments, and the entities responsible for them, may be criticised. The clear relationships, and robust and transparent decision-making processes set out in the Framework assist in mitigating this risk. In addition, processes for complaint and dispute resolution are set out in a WA FHRI Fund Complaints Policy, owned by the R&I Office.

6.5. Conflicts of interest are not identified and managed appropriately

Members of the Advisory Council and Expert Committees may have associations with persons and organisations that stand to benefit from the WA FHRI Fund.

If such associations are not adequately identified, managed and recorded, the potential, perceived or actual conflict of interest may jeopardise the integrity of the recommendation-making process and damage the reputation of the State Government, the WA FHRI Fund, the Advisory Council and Expert Committees.

The Advisory Council and Expert Committees each have a Code of Conduct that will guide the behaviour of members. A Conflict of Interest Management Policy and Conflict of Interest Register and a Gifts, Benefits and Hospitality Register will be maintained for the Advisory Council and Expert Committees. The Chair of the Advisory Council and of each Expert Committee is responsible for ensuring conflicts of interest are identified, managed and recorded.

Key legislation applicable to the ethical conduct of Western Australian public service officers include the *Public Sector Management Act 1994*, *Financial Management Act 2006*, *State Supply Commission Act 1991* and the Western Australian Public Sector Code of Ethics.

6.6. Net research and innovation activity do not increase

There is a risk that the availability of a WA-focused source of research and innovation funding will decrease researchers' and innovators' efforts to attract nationally and internationally competitive funding. The boost in funding provided by the WA FHRI Fund may also discourage other local funders, such as State Government agencies and charitable organisations, from

maintaining existing research and innovation funding programs. In effect, the WA FHRI Fund may replace other funding, resulting in no net benefit for research and innovation activity in WA.

WA Health Service Providers (HSPs) have an obligation to support research and innovation under the mandatory Research Policy Framework and through the Teaching, Training and Research funding provided for in their Service Agreement with the Department of Health. There is a risk that the WA FHRI Fund will subsidise these 'business as usual' activities of the HSPs, thereby reducing the net benefit achieved by the WA FHRI Fund.

Potential mitigation strategies for the above scenarios may include: targeting areas where other funders do not provide support; co-funding with other research and innovation funders wherever possible to boost, not replace, existing funding; and exclusion of standard clinical practice (including clinical audit and quality improvement) from WA FHRI Fund Programs and Initiatives.

6.7. Risks are not identified and managed appropriately

If processes are not put in place to identify risk exposure and to develop and implement prevention and mitigation strategies, the chances of achieving the purpose of the Framework will be reduced.

In the case of the public sector components of the Framework, risk management is supported by policies and legislation covering four operational elements: policies exist for governance and management of material risks; risk exposure is evaluated and remediation plans are implemented; preventive measures for key risk categories are in place; and procedures are in place to monitor incidents from identified risk categories.

For the Advisory Council and Expert Committees, a risk management framework will be maintained, including a risk identification, prevention and mitigation strategy, a risk register and a risk reporting process.

7. Reporting

The Advisory Council will produce an Annual Report on its activities, which will be presented to the Minister and published online. Each Expert Committee will produce a report on the activities it was established to complete, which will also be included in the Annual Report. The three-yearly Performance Review of the R&I Office, the Advisory Council and the Expert Committees will be included in the Annual Report that corresponds with the completion of the Performance Review.

The Departments of Health and Treasury have statutory reporting requirements that are relevant to the Framework (noted in sections 4.1 and 4.2). In addition, the Department of Health will make the Priorities, Programs and Initiatives, market-led proposals and individual grants of the WA FHRI Fund publicly available.

8. Review

The Framework will be reviewed annually by the Department of Health, or at another interval not exceeding five years. Amendments to the Framework must be approved by the Minister.

9. Evaluation

The Advisory Council and Expert Committees will have their performance evaluated in accord with the processes set out in the governance documents for these groups.

An Evaluation Framework will be used to quantify the performance of the WA FHRI Fund. The Evaluation Framework is developed and maintained by the R&I Office, and approved by the Minister. Evaluations of the performance of the WA FHRI Fund will focus on four different levels: the Programs and Initiatives; the Priorities; the Strategy; and the WA FHRI Fund overall. Performance of the WA FHRI Fund overall incorporates assessment of the performance of Programs and Initiatives, Priorities and the Strategy in the context of the Object of the Act. Evaluations will be conducted by an external service provider and presented by the Advisory Council to the Minister for approval. Smaller evaluations, such as for an individual Program or Initiative, may be led by the R&I Office or an external provider. Corporate assurance for the operations of the WA FHRI Fund will be led by the R&I Office.

The Evaluation Framework will include both operational performance and research impact but does not apply to the investment management and performance of the capital fund, which is the responsibility of the Treasurer.

9.1. Operational performance

Measures that may be considered for this component of the Evaluation Framework include:

- financial accountability, which incorporates the disbursement of grants for research and innovation purposes
- time targets for peer-review and other award processes, and implementation of grant agreements and contracts
- evaluation of the integrity of peer-review and other award processes
- contracts and grants successfully completed
- assessment of the alignment of Programs and Initiatives with the Priority from which they were derived
- assessment of the alignment of Priorities with the Strategy from which they were derived.

The funding profile of recipients of funding from the WA FHRI Fund, via the FHRI Account, will also be assessed. This may include the proportion of funding awarded according to:

- discipline, such as public health research, fundamental research and clinical research
- category of recipient, such as HSP, university, research institute, private company and non-government organisation
- stage of innovation, such as education, training and support, proof-of-concept (including models of care), pre-seed and commercialisation/implementation
- area of need identified by the WA State and Commonwealth governments such as disease prevention, Aboriginal health and mental health
- capital versus recurrent expenditure.

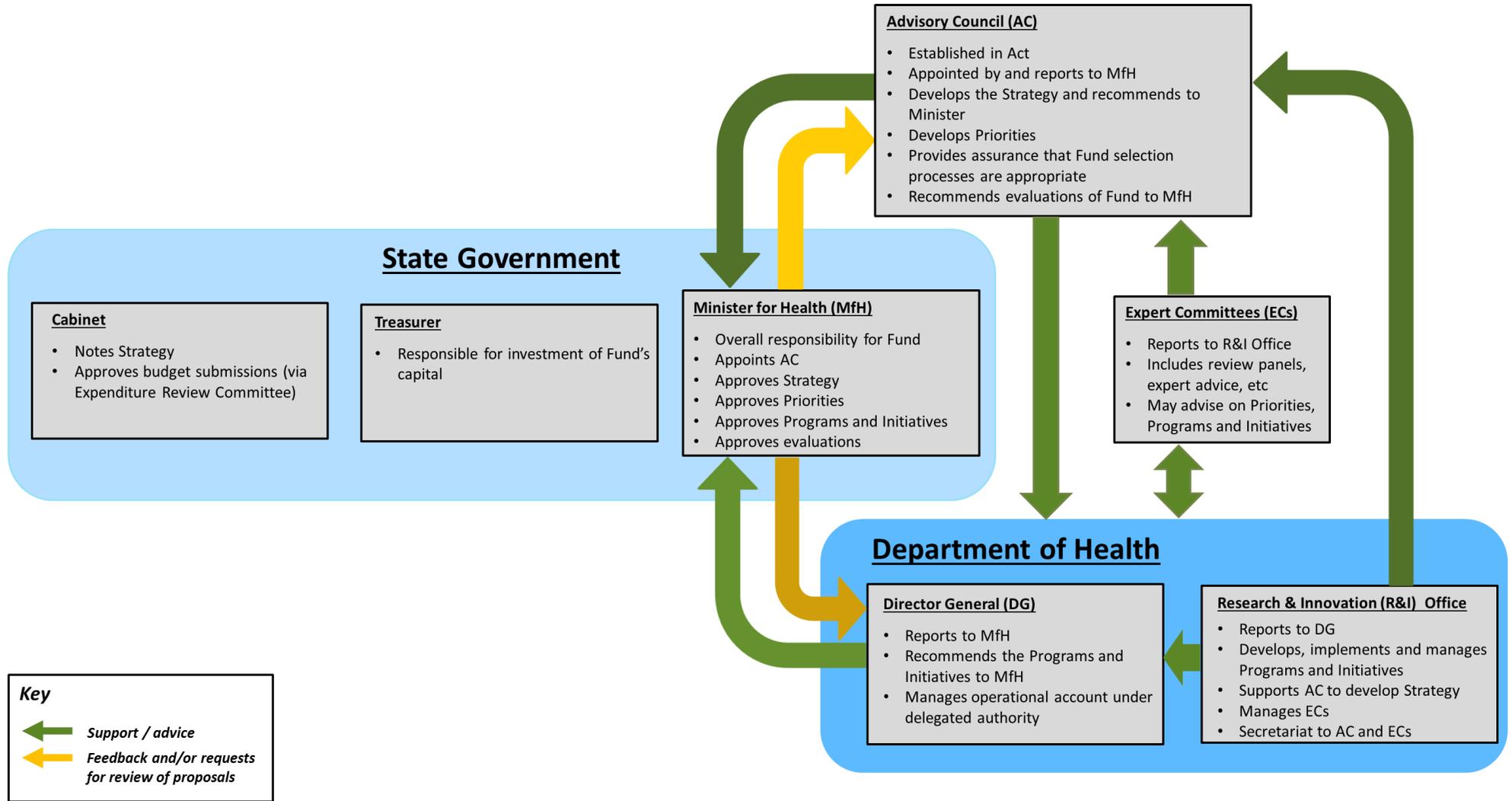
9.2. Research impact

In the context of research and innovation, 'impact' can be considered to occur when the research or innovation activity generates health, cultural, or economic benefits, including through contribution of new knowledge in regard to these areas. However, measuring research impact in a meaningful way is challenging and development of the Evaluation Framework will consider various factors that contribute to impact in a contemporary context. A key deliverable

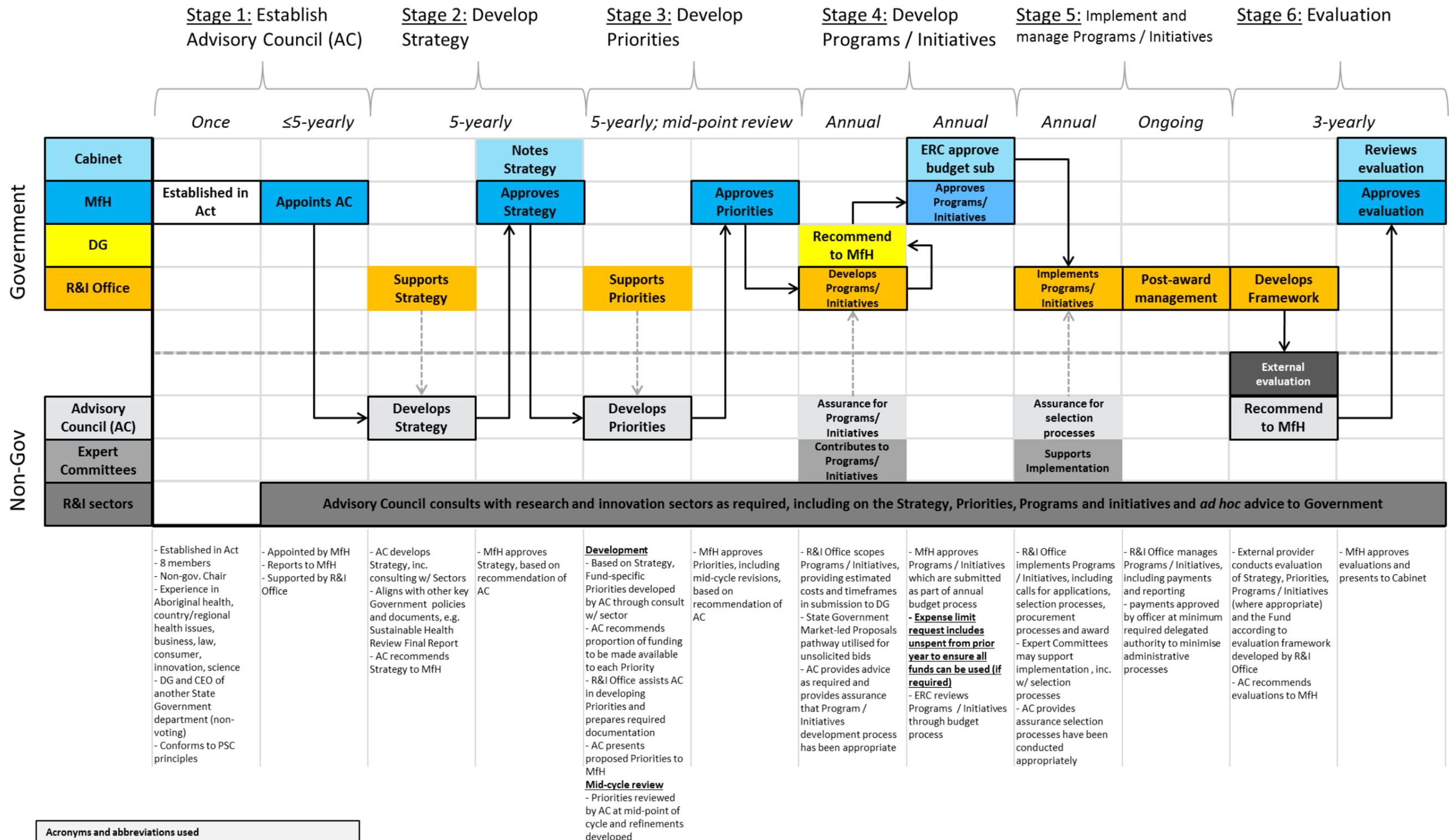
for the WA FHRI Fund is to leverage additional research and innovation funding into the State. In comparison to a 2020 baseline, the quantum of research and innovation funding in WA from major sources will be measured. The change from baseline will provide a proxy measure of success in securing a greater share of national funding sources such as the NHMRC and the Medical Research Future Fund and highlight any reductions in local funding, such as from State Government agencies and charitable organisations. It is also noted that some desirable impacts, such as better health or economic prosperity, may take many years to reach a stage that can be measured quantitatively. The Evaluation Framework will be informed by international best practice, which may include measuring the following categories of impact, among others:

- Health care delivery outcomes (e.g. quality and efficiency measures)
- Long-term population behavior outcomes (e.g. economic outcomes and behavior changes)
- Policy outcomes (e.g. changes to policies, pathways and guidelines)
- Translational outcomes (e.g. public engagement, commercialisation and implementation of interventions)
- Academic outputs and outcomes (e.g. publications and new research funding).

APPENDIX A: GOVERNANCE FRAMEWORK RELATIONSHIPS



APPENDIX B: GOVERNANCE FRAMEWORK PROCESS MAP



Acronyms and abbreviations used
 AC: Advisory Council
 DG: Director General of Health
 ERC: Expenditure Review Committee
 MfH: Minister for Health
 R&I: Research and innovation

APPENDIX C: STRATEGIC INSTRUMENTS DEVELOPMENT CYCLE

