

**STRATEGIC DEVELOPMENT DIVISION**

**PRIMARY HEALTH & COMMUNITY PARTNERSHIPS  
BRANCH**

Discussion Paper

NSW Health NGO Program Review

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[http://www.health.nsw.gov.au/aboutus/business/ngo\\_program.asp](http://www.health.nsw.gov.au/aboutus/business/ngo_program.asp).

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# 1 Introduction

In November 2008, the New South Wales (NSW) Government handed down a mini-budget that included a range of initiatives across the public sector aimed at securing the State's existing AAA credit rating. Reform of grants to non government organisations (NGOs) through efficiencies and limiting new arrangements was one such initiative. As a result of this and other emerging issues in the NGO/Health sector, NSW Health and the NGO sector have agreed to undertake a review of the NGO program. The aim of the review process is to deliver the most efficient, effective and responsive NSW Health NGO Program practicable. This approach was agreed at a meeting between the NGO sector and NSW Health in early December 2008. This meeting was chaired by Dr Richard Matthews, Deputy Director-General, Strategic Development, NSW Department of Health.

## 1.1 Scope of the Review

Broadly, the review will undertake the following:

- Describe the NSW Health NGO Program
- Investigate good practice in NGO sector grant administration and support – NSW, nationally and internationally
- Evaluate the NSW Health NGO Program
- Make recommendations on the best way forward for the NSW Health NGO Program

The scope of the review includes all NGOs funded by NSW Health under the NSW Health NGO Program where NSW Health is the major decision maker in the allocation of the funding. For example, if the grant allocation is decided federally through the Council of Commonwealth Governments (COAG) process, then the NGO will be outside of the scope of the review. All other grants to NGOs will be considered in the review, including recurrent grants approved by the Minister for Health, ad hoc grants, market rental assistance grants, sponsorship grants and other grants.

A NGO Review Reference Committee, comprising NGO and NSW Health representatives has been established as part of the review process. The members of the NGO Review Reference Committee are listed in Appendix One.

## 1.2 Terms of Reference

In accordance with the Terms of Reference, the review will provide advice on ways to improve the NSW Health NGO Program. Key areas of focus include:

- Align or ensure that the NSW Health NGO Program is complementary with the NSW State Health Plan and other relevant NSW Health plans or strategic directives
- Improve governance and management processes
- Reduce the administration burden

- Improve communication processes between NSW Health and NSW Health funded NGOs
- Apply best practice models

A full text of the Terms of Reference is provided in Appendix Two.

### **1.3 Discussion Paper**

The purpose of this paper is to present issues to be considered as part of the NSW Health NGO Program review. The Discussion paper outlines a series of questions which will form the basis for the stakeholder consultation process throughout the review.

In particular, the following issues are considered:

- NSW Health NGO Program and its connections with the NSW State Health Plan
- Types of services provided by the NGO Sector
- Governance and management procedures for the NSW Health NGO Program
- Communication links between NSW Health and the NGO Sector
- Opportunities to reduce the administrative burden on the NGO Sector

Following consultation on these issues, NSW Health will develop a Recommendations Report that will propose strategic options and recommendations to reform the NSW Health NGO Program.

### **1.4 Review Process**

NSW Health will follow the following timetable in undertaking the review of the NGO Program:

- Submissions on the Discussion Paper are due by 5 November 2009
- Release of a Recommendations Report is expected in December 2009
- Submissions on the Recommendations Report will subsequently be requested

The Key Deliverables and Timeframes for the Review are outlined in Appendix Three.

## 1.5 How to Make a Submission

NSW Health encourages stakeholders to make submissions on any matters raised in this Discussion Paper or in response to any matters in the Terms of Reference. It is requested that submissions are in written and electronic form (where possible) and addressed to:

Review of the NSW Health NGO Program, Strategic Development Division Primary Health and Community Partnerships Branch LMB 961, North Sydney NSW 2059 or Email: [aphil@doh.health.nsw.gov.au](mailto:aphil@doh.health.nsw.gov.au)

Submissions must be received by 5 November 2009.

In general, submissions from interested parties will be treated as in the public domain and placed on the review website at:

[http://www.health.nsw.gov.au/aboutus/business/ngo\\_program.asp](http://www.health.nsw.gov.au/aboutus/business/ngo_program.asp)

Where an interested party wishes to make a confidential submission, it should clearly indicate the parts of the submission that are confidential. For more information about the NSW Health NGO Review and on how to make a submission, please contact:

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## 2 NSW Health NGO Program

This chapter provides a general discussion on the NSW Health NGO Program.

### 2.1 Characteristics of the NGO sector

The NSW Health funded NGO sector is a complex mix of agencies of varying size and with a plethora of objectives, but all serving the community in one form or another. NGOs funded under the NSW Health NGO Program are not-for-profit organisations, which while receiving government funding, exist independently of government departments. NGOs are independent incorporated organisations with their own management structures which are responsible for the operation of those services.

#### Box 1: Defining the characteristics of an NGO

The New Zealand Auditor-General has described some common characteristics of NGOs including:

- A charitable purpose
- Governance and staff are accountable to its members
- Inability to distribute profits from their operations, which gives them an objective different from that of for-profit corporations
- Involvement in producing public goods and services (as well as whatever private goods and services they may produce), but without exercising coercive or other statutory powers (for example, ability to levy rates)
- The use of volunteer as well as paid staff and, often, a revenue structure that can include large voluntary contributions of time and money
- Limited access to equity capital because of the prohibition on distribution of profits
- Eligibility for special tax advantages and
- Legal rules about governance, reporting requirements, political participation, and related matters, separate from those for corporations (NZ AG, 2006)

## 2.2 NSW Health NGO Program

The NSW Health NGO Program is complex. There is a range of different types of grants distributed to NGOs including grants approved by the Minister for Health, ad hoc grants, program grants, market rental assistance grants, sponsorship grants and other grants. NSW Health administers the grant program under a prescribed set of policy directives (see Appendix Four).

In 2008/09, the Minister approved \$132 million in expenditure as part of the Ministerial NGO Program. Table 1 illustrates the breakdown of Ministerial grants as distributed across the NSW Health services.

In addition, NSW Health distributes grants to NGOs from recurrent NSW Health Service budgets, known as Ad Hoc grants. For 2007-08 this amount represented circa \$100 million.

This paper primarily describes grants that are approved by the Minister for Health. It is important to note however, that this review considers not only ministerial grants but also grants distributed to NGOs under other policy directives.

**Table 1: Grant Distribution by Health Funding Body<sup>1</sup>**

Grant Distributing Organisation	Sum of Grants Distributed	No. of Grants	No. of NGOs
NSW Department of Health	\$57,964,470	155	101
Sydney South West AHS	\$21,457,776	70	57
South Eastern Sydney & Illawarra AHS	\$16,065,019	78	64
Northern Sydney & Central Coast AHS	\$8,917,892	41	36
Sydney West AHS	\$8,067,189	42	36
Greater Western AHS	\$6,100,849	23	19
Hunter & New England AHS	\$5,401,385	45	41
North Coast AHS	\$4,741,373	36	28
Greater Southern AHS	\$1,432,780	9	6
Justice Health	\$634,894	1	1
NSW Ambulance Service	\$593,020	2	1
Children's Hospital	\$330,400	1	1
<b>TOTAL</b>	<b>\$131,707,047</b>	<b>503</b>	<b>391</b>

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<sup>1</sup> Some NGOs receive grants from multiple NSW Health grant distributing organisations – These NGOs are counted under all funding organisations.

## **2.3 Current NSW Health NGO Program Governance**

NSW Health is structured into various statewide services or AHSs with the following organisations distributing grants to NGOs:

- NSW Department of Health (the Department)
- Area Health Services (Northern Sydney/Central Coast, South Eastern Sydney/Illawarra, Sydney South West, Sydney West, Greater Southern, Greater Western, Hunter/New England, North Coast, Children's Hospital at Westmead)
- Other public health organisations that provide statewide or specialist health services (Ambulance Service of NSW, Justice Health)

Each statewide service or AHS manages their NGO grants according to NSW Health policies. The grant administration, monitoring and review processes of a significant part of the NGO Program was devolved to AHSs in 1996. The partial devolution of the grant administration, monitoring and review processes to AHSs aimed to increase the opportunities for local health services and NGOs to work together in delivering and planning health services. Most AHSs have NGO Coordinators who play a key role in managing their grant administration and liaising with NGOs within that AHS. Policy branches within the Department also manage grants. These are normally grants associated with larger statewide NGO services.

The Department is responsible for the overall policy and financial frameworks including the development of standard grant administration procedures and guidelines. For the Ministerially approved grant program, the Department manages the process of seeking approval from the Minister for Health for the NGO grants.

Subject to any recommendations made by the various statewide or AHSs, the Minister approves the Ministerial grant program, including any applications for the continuation of funding and or variations to the existing grant program on an annual basis.

Historically, the majority of the NGOs funded by NSW Health have received recurrent funding for a number of years. Grants are normally approved on a triennial basis with NGOs receiving quarterly financial allocations. NGOs are required to complete funding applications when their funding agreements expire. Currently, most NGO re-applications are supported. There is also the capacity for one off grants for specific projects.

NSW Health manages grant funding to NGOs through Funding and Performance Agreements (FPAs) and is promoting the use of outcome measures through a Key Performance Indicator (KPI) assessment process. KPIs are negotiated with NGOs and included in the FPAs agreed between the parties.

## **2.4 Current NSW Health Grant Program Policies**

The following NSW Health policies and guidelines govern the NSW Health NGO Program:

- Non-Government Organisation Grant Program – Operational Guidelines

- Ad Hoc Requests for Funding – Organisations External to NSW Health
- Accommodation – Health Owned – Requests from External Organisations
- Sponsorships Policy – NSW Health
- Delegations Manual – NSW Health

Full reference information on the policies and directives is provided in Appendix Four.

The NGO Grant Program – Operational Guidelines mandates that approvals for grants rest with the Minister. The guidelines were introduced in 1996 with the devolution of a majority of the NGO Grant Program administration to AHSs. The last version of the Operational Guidelines was released in August 2000.

The Ad Hoc Requests for Funding policy document was developed in 1998 and is supported by the NSW Health delegations manual. Approval for program grants rests with NSW Health positions depending on the amount to be granted.

It should also be noted that NSW Health offers funding to NGOs under competitive tender arrangements as described in the NSW Health tendering policy. The Mental Health and Drug and Alcohol Office (MHDAO) has particularly utilised this method of distributing funds allocated through new government initiatives. Funding agreements that have been established through a competitive tender process are subject to different contractual arrangements compared to Ministerial grants and ad hoc funding arrangements.

## 2.5 NSW Health Policy Context

The NSW health system is under increasing pressure from a range of factors including ageing and growing population, advances in technology and meeting increasing community expectations. As an integral part of the health system, the NGO sector is not immune from these pressures and the need to conduct ongoing reform and improvement to cope.

In the November 2008, NSW Mini Budget it was announced that there would be savings achieved by reforming grants to NGOs through efficiencies and limiting new arrangements. Savings to be achieved each year are detailed in Table 2.

**Table 2: Total Savings / Efficiencies in NGO Funding as Outlined in 2008 Mini-Budget**

Financial Year	Total Savings /Efficiencies in NGO Funding
2009/2010	\$ 2.5 million
2010/2011	\$ 3.5 million
2011/2012	\$ 5 million (recurrently thereafter)

## 2.6 Policy Drivers

The NSW Government, NSW Health and NGO sector policy drivers to undertake the review are considerable. Improving the alignment of the NSW Health NGO Program with the strategic direction of the NSW Health system is a recommendation of the recent reports by the NSW Auditor-General (NSW Auditor General, 2009) and the Community Health Review (Eagar, Owen, Cranny, Thompson & Samsa, 2008). In an operational sense, reducing red tape and 'the administrative burden', and improving governance, transparency and efficiency of the NSW Health NGO Program are recommendations of the Red Tape Review, NSW Grants Administration Review and the Auditor-General's report. The policy drivers are described in detail below.

### Policy Drivers – Government Sector

#### *Productivity Commission*

On 17 March 2009, the Productivity Commission received a Terms of Reference from the Commonwealth Government asking it to undertake a commissioned study on the contributions of the not for profit sector (Productivity Commission, 2009). The final report is scheduled to be released in December 2009.

The study's focus is on:

- Improving the measurement of the sector's contributions
- Removing obstacles to maximising its contributions to society

In undertaking the study, the Commission aims to:

- Assess current and alternative measures of the contribution of the not for profit sector and how these can be used to better shape government policy and programs so as to optimise the sectors contribution to society
- Identify unnecessary impediments to the efficient and effective operation of not for profit organisations and measures to enhance their operation
- Consider ways in which the delivery and outcomes from government funded services by not for profit organisations could be improved
- Examine recent changes in the relationships between government, business and community organisations and whether there is scope to enhance these relationships so as to improve outcomes delivered by the not for profit sector
- Examine the impact of the taxation system on the ability of not for profit organisations to raise funds and the extent to which the tax treatment of the sector affects competitive neutrality (Productivity Commission, 2009)

#### *"Working Together for NSW" Agreement*

Governments' world-wide outsource and work with NGOs and local government councils to deliver services, particularly human services. The agreement "Working Together for NSW" provides a framework for consultation and negotiation between the

Government and the NSW non-government human services organisations (NSW Government, 2006)

#### *Justice and Human Services CEOs Forum*

Directors-General and representatives from the Departments of Health, Housing, Education and Training, Community Services, and Ageing, Disability and Home Care form the *Justice and Human Services CEOs Forum*. As part of its remit, the Forum oversees the implementation of the “Working Together for NSW” agreement. Current NGO related projects include:

- Discussing strategies to support workforce capacity building in the non-government sector
- A proposal for an industry development strategy for the community sector in NSW
- NSW Government's approach to NGO grant indexation policy

#### *NSW Grants Administration Review and the Development of the Guide to Grants Administration*

A Review was undertaken of Grant Programs funded by the NSW Government and resulted in the Department of Premier and Cabinet introducing a Guide to Good Practice in 2006 that encourages agencies to manage grants with more transparency, less red tape and greater evaluation and coordination. The Guide to Grants Administration has been developed to assist NSW Government agencies in developing consistent practices for grants programs and provide clarity to applicants for grants. Each section covers a different grants process and provides good practice guidelines, tools and resources for use by grants program managers (Department of Premier and Cabinet, 2006).

#### *Performance Audit of Grants Administration in NSW – NSW Auditor General December 2008*

The Performance Audit of Grants Administration in NSW undertaken by the NSW Auditor General was published in May 2009. The Audit makes a number of recommendations, including advising grant-making agencies to:

- Manage risk and streamline procedures to the minimum needed to ensure accountability and value for money
- Improve transparency by publishing in an accessible and timely way:
  - a rolling calendar of grants funding expected to be available in the next 12 months
  - procedures for making grant decisions
  - Ministerial directions to make or refuse grants outside of normal procedures
- Evaluate what grant programs achieved and how the distribution of funds has supported government objectives
- Set up timely monitoring systems, tie payment to clear performance measures and require the recipient to establish internal controls

- Tell unsuccessful applicants why their proposal was rejected
- Reduce red-tape by using:
  - standard terminology when dealing with grant recipients
  - three or four year agreements for recurrent services and ongoing projects
  - targets to better manage the time taken to process grants
  - integrated funding and management of multiple grants (NSW Auditor-General, 2009)

### *Special Commission of Inquiry into Child Protection Services in New South Wales*

The Special Commission report recommendations refer in great detail to NGOs involved with Child Protection Services. The recommendations include the establishment of new NGO services to provide the Regional Intake and Referral Service. While the Special Commission relates only to those NGOs involved with Child Protection services, the recommendations relating to NGO services have relevance, including:

- 10.6 The capacity of NGOs to deliver services [as detailed in the recommendation] should be developed. The principles underpinning performance based contracting should be applied.
- 10.8 Workforce needs: NGOs should receive sufficient funding to develop the infrastructure needed to attract experienced staff, and be assisted in providing uniform training for caseworkers and carers.
- 25.1 All NSW Government funding to NGOs delivering universal, secondary and tertiary services to children [...] should be reviewed, so as to establish a coordinated system for the allocation of their funded resources that will eliminate unnecessary overlap and provide for the delivery of services where needed most. [DoCs specific recommendation] (Wood, 2008)

In response to the above Special Commission report recommendations, the NSW Government proposed a number of actions including but not limited to actions for NSW Health, such as:

- Develop and publish a five year plan for child and family service workforce development
- Strengthen the skills and experience of staff, both within Government and in the NGO Sector in delivering services to children and young people with physical and intellectual disabilities and supporting their carers (NSW Government, 2009)

### ***Internal NSW Health Policy Drivers***

#### *NSW Health Red Tape Review*

A NSW Health Cutting Red Tape Review has been undertaken with the report including nine recommendations relating to recruitment, criminal record checks processes,

centralised and delegated approval processes and the administrative load on clinical managers.

*NSW Community Health Review (CHR)*

The aim of the review is to identify and recommend short-term and long-term strategies for a revitalised primary and community health sector to deliver cost-effective early intervention, prevention and community health services across NSW, and to identify a pathway for reform.

Health NGOs are one of the key partners of community health services in the primary health care sector in NSW and the outcomes of the CHR may impact on the NGO sector (Eagar et al 2008)

*Audit of Grants to Non-Government Organisations – NSW Health Internal Audit Branch – July 2008*

The NSW Health Internal Audit Branch conducted a review of ad hoc and sponsorship grants to NGOs. The audit review excluded grants made to the Aboriginal Health and Medical Research Council (AHMRC) and grants processed through the Ministerial NGO Grant Program.

The objectives of the audit were to gain reasonable assurances that grants to non-government organisations are appropriately approved with funds utilised in accordance with the purpose of the grant and managed in accordance with NSW Health Policies and Guidelines including Policy Directive PD2005\_415, “Sponsorship Policy” and Policy Directive PD2005\_507, “Ad Hoc Requests for Funding – Organisations External to NSW Health”.

The key recommendation from the report is that Policies ‘PD2005\_415 Sponsorship Policy and PD2005\_507 Ad Hoc Requests for Funding – Organisations External to NSW Health’ should be assessed with the aim to have just one policy applied when sponsoring an external organisation.

## **3 NGO Program Reform - Examples from other Government Agencies**

### **3.1 Government Reviews on NGO Funding Arrangements**

The Commonwealth Government (Australian Government Department of Finance and Deregulation, 2009), Victorian Government (Victoria State Service Authority, 2007), Queensland Government (Queensland Government, 2007, 2008) and the NSW Government (NSW Auditor-General, 2009; Department of Premier and Cabinet, 2006, Independent Pricing and Regulatory Tribunal, 2006; Vertigan & Stokes, 2006; Wood, 2008) have reviewed government practices of regulating and administering funding to not-for-profit organisations.

These reviews have highlighted a number of issues and have subsequently recommended the following areas of funding reform including but not limited to:

- Reduce red tape by developing funding processes that are proportional to the risks involved with consideration to the nature of the program, the assessed risk of the program/service provider, the length of the funding and its value
- Develop a whole of government framework or coordinated approach to funding to gain efficiencies across government agencies including establishing fewer agencies administering community grants could reduce administrative costs, duplication and multi-funding
- Establish a single funding agreement and reporting requirement for NGOs that provide the same service across more than one region to provide more streamlined and centralised NGO reporting and compliance mechanisms
- Improve transparency and public disclosure for funding the not-for-profit sector including public reporting of comprehensive and relevant information on grants and subsidies and provide simple and timely public access to this information
- Shift from direct funding negotiation practices or performance managed renewable funding options toward competitive tender processes and performance contracting
- Progressively move to contracted service delivery for grants aimed at specified outcomes. Such service delivery should be founded on sound performance-based contracts, longer-term funding and a focus on results for clients
- Develop of a framework to collect data, to identify and report on the full range of grants expenditure, and to monitor its effectiveness
- Improve communication to make it easier for NGOs to find out when and where a grant is available, how the decision is made about who gets the grant and a consistent form of reporting on how it was used
- Adopt web based technology to gain efficiencies
- Develop an integrated electronic grants administration system for staged implementation

- Commit, wherever possible or appropriate, to include NGOs in human service planning and evaluation including participating in NGO sector funding reforms
- Strengthen NGO capacity to provide family and community services in NSW
- Provide NGOs with sufficient funding to develop the infrastructure needed to attract experienced staff, and be assisted in providing uniform training for caseworkers and carers

### **3.2 Good Practice Grant Administration Guidelines**

There are a number of good practice guides to grant administration and grant management including:

- New Zealand Auditor-General - Good Practice Guide: Public Sector Purchases, Grants, and Gifts: Managing Funding Arrangements with External Parties (New Zealand Auditor-General, 2008)
- Department of Finance and Deregulation - Commonwealth Grant Guidelines - Policies and Principles for Grants Administration (Australian Government Department of Finance, 2009)
- NSW Department of Premier and Cabinet - Good Practice Guide to Grants Administration (Department of Premier and Cabinet, 2009)
- Department of Community Services (DoCs) - Good Practice Guidelines for DoCS Funded Services Manual (Department of Community Services, 2005)

The common characteristics of these guidelines are that they establish principles for the funding relationship and a best practice process to follow throughout the life cycle of the funding arrangement, summarised as follows (NZ Auditor-General, 2008):

- Planning for the funding arrangement
- Selecting a provider and agreeing the terms
- Managing and monitoring the arrangement
- Reviewing, evaluating, and starting over (where appropriate) (NZ Auditor-General, 2008)

The most common feature of the good practice guidelines are that they have been revised over the last few years with much more emphasis on establishing risk based flexible funding, monitoring and reviewing strategies. That is, funding arrangements are tailored to the nature, type, value and associated risks of the grant.

## 4 Issues for Consideration

This section presents issues for consideration under headings corresponding to the Terms of Reference for the NSW Health NGO Program review.

### 4.1 Strategic Directions

**Terms of Reference 1 a** *Assess and report on NSW Health’s NGO Grant Program’s alignment to and complementarity with the NSW State Health Plan*

NSW Health funded NGOs provide a wide range of services for the community that both align to, and are complementary with, the NSW Health State Plan or other health plans (state or national). Given the diverse nature of services, NGO services may align or complement NSW Health State Plan or other health plans (state or national) in different ways. Other services may not align fully with these plans, but these services provide important complementary services as shown in the table below.

**Table 3: Examples of Complementary and Aligning NGO services to the NSW Health State Plan**

Examples of NGO Services that are complementary of the NSW State Health Plan	Examples of NGO services that align to the NSW State Health Plan
<ul style="list-style-type: none"> <li>■ Counselling services provided by Women’s Health Centres</li> <li>■ NGO support services provided by the Network of Drug and Alcohol Agencies (NADA)</li> <li>■ Respite “camps” for children with cancer or mental illness</li> </ul>	<ul style="list-style-type: none"> <li>■ Drug and Alcohol Rehabilitation Services provided by a number of NGOs</li> <li>■ Aeromedical services provided to outback NSW by the Royal Flying Doctor Service</li> <li>■ Oral Health funding for Aboriginal Medical Services</li> </ul>

The following discussion addresses issues concerning the NSW Health Plan and continuing grant arrangements.

#### **NSW State Health Plan (2007)**

All government agencies have a responsibility to ensure that purchased services are delivered efficiently, effectively and economically and broadly complementary with the mission, goals and objectives of the agency. The mission, goals and objectives of NSW Health are described in the NSW State Health Plan. Improving the alignment of the NSW Health NGO Program with the strategic direction of the NSW Health system is also a recommendation of the recent report by the Auditor-General (AG, 2009) and the Community Health Review (Eagar et al, 2008).

For grants, the NSW Health State Plan sets two important strategic directions:

1. NSW Health will collaborate with other human service agencies to develop a regional approach to planning health and other human services including

developing a policy framework to strengthen collaboration between the NSW health system and NGOs.

2. NSW Health will review the current funding systems to ensure that the health dollar is allocated appropriately to provide the best health outcomes for the community including:

- Enhance financial monitoring systems
- Align clinical resources with investment and reinvestment priorities
- Devise investment and reinvestment strategies that take into account changing demographics (particularly the ageing population), new models of care, results of demand analysis and evidence of what will provide the greatest return on investment
- Review investment in education and research to ensure long term goals are met
- Improve overall efficiency of NSW Health to allow benefits to be reinvested in frontline clinical health services

There are examples where continuing/historical grants have been reformed to better align or correspond with government agency plans (see Box 2). It should also be noted however, that some statewide services, AHSs and NGOs are more proactive at ensuring their services align to, or are complementary with the NSW State Health Plans than others.

### **Continuing/ 'Historical' grants**

The majority of NSW Health Ministerially approved NGO program grants have been distributed to these NGOs on a longstanding basis. This recurrent funding has allowed NSW Health and NGOs to establish and invest in collaborative relationships. Along with other sources of funding, the stable source of income from NSW Health also provides NGOs with opportunities to continually improve their services and develop into centres of excellence.

Although there is some flexibility to reform continuing/historical grants to better meet the needs of the community over time, it continues to be difficult to review and assess the suitability of current grants.

#### **Box 2: Example of Realigning NGO Funding to Meet Current Needs**

NSW Health AIDS/Infectious Diseases Branch has reallocated funds from NGO accommodation services that did not correspond with the *NSW HIV/AIDS Supported Accommodation Strategy 2007-2010*. In this case, NSW Health reinvested funds from NGO services that provided communal living accommodation to people with HIV/AIDS to develop NGO services that supported people in their own home.

### **Questions for Consideration: Strategic Directions**

#### *General question*

- Question 1. *How should NSW Health ensure that the health funded NGO Program aligns with or is complementary to the NSW State Health Plan and other relevant NSW Health plans/strategic directives?*

#### *Specific questions*

- Question 2. *How should the NSW Health NGO Program ensure that the planning and allocation of resources reflects community demographics, emerging models of care, results of demand analysis and evidence of what will provide the greatest return on investment?*

## 4.2 Services Provided by NGOs

**Terms of Reference 1b** Assess and report on the range and role of services provided by NGOs in each program area.

This section examines the range and type of NGO services funded by NSW Health. This section only describes grants that are approved by the Minister for Health (Ministerial grants).

### **NGO Services Funded by the NSW Health Ministerial Grants Program Areas**

NSW Health distributes 503 grants over 16 program areas. Program areas range from aged care advocacy services to Homeless Youth programs. These program definitions are used throughout the NSW health system to categorise the distribution of NGO grants.

Table 4 outlines the grants distributed to different program areas through the Ministerial Grant Program. The Drug and Alcohol and Mental Health Program Areas receive the largest amount of funds followed by HIV/AIDS and Women's Health.

**Table 4: Ministerial Grants Distributed by Program Area**

<b>Program Area</b>	<b>Sum of Amount of 2008/09 Approved Grants</b>	<b>Count of 2008/09 Approved Grants</b>
Drug and Alcohol	\$28,756,723	93
Mental Health	\$27,542,758	86
HIV/AIDS	\$22,142,350	45
Women's Health	\$15,587,015	39
Community Services	\$8,807,026	54
Aboriginal Health	\$8,238,100	40
External Health	\$4,561,909	6
Oral Health	\$4,240,229	20
Aged and Disabled	\$3,906,110	39
Health Promotion	\$1,834,270	11
Carers	\$1,580,135	13
National Women's Health Program	\$1,559,350	13
Rural Health	\$1,268,400	3
Transport for Health	\$715,172	33
Victim Support Fund	\$568,900	6
Homeless Youth	\$398,600	2
<b>Total</b>	<b>\$131,707,047</b>	<b>503</b>

Table 5 shows a breakdown of the number of organisations that are funded in each band. The majority of organisations (81) are funded in the \$250K to \$100k funding bracket per year. The smallest numbers of organisations are funded more than \$1 million.

**Table 5: Size of NGO funding distribution by Band Amount per Annum**

Amount Funded per Annum	No. of Organisations
> \$ 1 million	32
\$ 1 mil < \$ 500K	34
\$ 500k < \$ 250K	54
\$ 250k < \$ 100K	81
\$ 100k < \$ 50K	61
\$ 50k < \$ 20K	42
\$ 20k < 0	39
<b>Total no. of NGOs receiving grants</b>	<b>343</b>

#### ***Type of NGO Services Provided***

NGOs provide a range of health services from health prevention and promotion services, to early intervention services, emergency services, community clinical health services, community support services, supported community accommodation services and management, advocacy, administration and research and development services or a combination of services, for example:

NGOs often provide services to people with high needs and challenging behaviours. In many cases, NGOs provide services to people who are hard to reach and are resource intensive and challenging to engage.

**Table 6: Examples of NGO Services Funded by NSW Health**

NGO Service Types	Examples of NGO Services
Prevention and promotion services	<i>Positive Life NSW</i> represents the interests of people living with HIV. It works to promote a positive image of people affected by HIV with the aim of eliminating prejudice, isolation, stigmatisation and discrimination.
Emergency services	<i>The Royal Flying Doctor Service</i> receives grant funding to provide health services to outback NSW.
Community clinical health services	<i>The Dharah Gibinj Aboriginal Medical Service</i> provides primary health care services to Aboriginal and Torres Strait Islander people in the region.

NGO Service Types	Examples of NGO Services
Community support services	<p><i>Bridges</i> works to connect and strengthen individuals, families and communities. In particular <i>Bridges</i> offers a range of counselling services including, individual, group and telephone counselling services to prevent and reduce harm related to alcohol and other drug use.</p> <p><i>GROW in NSW</i> offers people organised friendly support through mutual help groups and a 12 Step Program of recovery.</p>
Supported community accommodation services	<p><i>The Richmond Fellowship</i> provides supported accommodation to people with a mental illness.</p>
Management, advocacy, administration, teaching and research and development services	<p><i>The Asthma Foundation of NSW</i> advocates for people with asthma and provides programs and information to help them manage their condition and enjoy a better quality of life.</p> <p><i>NADA (Network of Alcohol and Other Drugs Agencies)</i> focuses on better positioning the non government drug and alcohol sector through capacity building and contribution to policy development. NADA provides strategic advice to government and advocates on behalf of the sector.</p>

**Questions for Consideration: Services Provided by NGOs**

Question 3. *What processes should be in place to ensure that grant funding is appropriately distributed across regions, program areas and service types?*

### **4.3 NSW Health Grant Administration and Grant Management Practices**

*Terms of Reference 1 ci Assess and report on governance and management procedures within the NSW Health NGO Grant Program*

Good practice grant administration practices are discussed in various good practice grant administration guides (NZ AG 2008, DFD 2009, DPC 2009, DoCS 2005). A short summary is provided in section 3.2 of this paper.

This section describes and discusses the NSW Health NGO performance monitoring framework and the NSW Health grant application and approval processes for existing grants.

#### ***Performance, Reporting and Monitoring Structures***

The NSW Health NGO Program performance, reporting and monitoring structures are described in the various policy frameworks, formal or informal legal arrangements and other NSW Health governance arrangements. The structures include funding and performance agreements, reporting requirements and Key Performance Indicators (KPIs).

#### ***Funding and Performance Agreements***

Funding and Performance Agreements are negotiated for each Ministerial grant. The agreements describe the accountability arrangements between the NGO and NSW Health including objectives, activities, performance indicators, responsibilities between the various health agencies, budget and general conditions of the grant. The funding and performance agreement sets the scene for the performance management process.

#### ***Reporting Requirements***

Funding and Performance Agreements require NGOs to provide annual audited financial statements and program activity reports. NGOs report on KPIs in program activity reports. NGOs submit their reports to NSW Health each financial year, with the program/activity reports due 31 July and the audited financial statements due within three months of the NGO's end of financial year reports.

NSW Health funding bodies monitor the activities of the NGOs through the assessment of the KPIs, NGO annual reports and audited financial statements.

### **Box 5: Reforms to the Department of Ageing, Disability and Home Care (DADHC) Integrated Monitoring Framework**

DADHC embarked on a funding reform six years ago and instituted an Integrated Monitoring Framework (IMF).

Under the framework, approximately 90% of funded services have received an on-site visit assessing the NGO on how well they meet the Framework.

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

- Self-assessment
- Internal assessment
- Third party assessment (e.g. by quality auditor).

DADHC is currently streamlining IMF so that performance monitoring and management processes are applied in accordance with the risks involved. That is, a simple performance management process is applied to low risk grants, an internal service evaluation process is applied to moderate risk grants and an external service evaluation process is applied to high risk grants (NSW Health, 2007).

Concerns have been raised by representatives of the NGO sector that grant management processes are inconsistent across NSW Health. Grant management processes can vary depending on the levels of commitment and workload pressures of the individuals responsible for the NGO grant programs or AHSs.

Although some NGO representatives have claimed that the burden of reporting is an important issue and believe that the reporting should be reduced, other NGO representatives have argued that the burden of reporting is not excessive. In other words, the reporting process is a burden to some NGOs but not to others. It is also noted that the burden of reporting increases significantly when NGOs are required to report to a number of government agencies/divisions/AHSs on a range of funded activities each requiring separate reports from the NGOs.

### **Box 6: Managing NGOs with Multiple Agreements – Centre for Aboriginal Health Approach**

NSW Health Centre for Aboriginal Health and the Office for Aboriginal and Torres Strait Islander Health (OATSIH) have sought to reduce the burden of reporting on Aboriginal NGOs by streamlining reporting requirements. A manual has been developed that outlines all reporting requirements and provides NGOs with guidance and standard reporting templates. NGOs in meeting the reporting requirements of the manual also meet the reporting requirements of the various government agencies/divisions/AHSs. The Centre for Aboriginal Health also relies on consolidated audited annual financial reports rather than requiring each separately funded project to be audited.

### ***Key Performance Indicators (KPIs)***

Health services negotiate with NGOs to develop KPIs for each grant. Performance indicators are a valuable part of a performance monitoring toolkit because they can be used to demonstrate the efficiency and effectiveness of NGO services and provide

evidence of good outcomes for consumers. Performance indicators should be clearly defined, measurable, useful and justified.

NSW Health currently uses three types of KPIs:

- Descriptive indicators can be used to determine the extent of service provision. For example: Number of consumers using the service
- Process indicators can be used to describe or encourage good practice. For example: 80% of consumers using the service have a care plan developed
- Outcome indicators can be used to determine service effectiveness. For example: 80% of consumers using the service improve average score ratings against an appropriate outcome measure<sup>2</sup>

From an analysis of the 2007/08 NSW Ministerial NGO Program, most of the performance indicators used are descriptive or process indicators. The Commonwealth Government and other State jurisdictions are increasingly using outcome indicators and also shifting towards collecting fewer indicators to reduce the administration burden on NGOs.

### ***Process for Establishing and Renewing NGO Grants***

The following information describes the process for establishing and renewing NGO grants:

- Establishing new NGO grants
  - New initiatives with allocated NSW Health budgets

NSW Health has a range of options available to fund new NGO services. These include direct negotiation methods, registration of interest processes, selective tender and open tenders. NSW Health is increasingly using competitive tender processes for new funding initiatives. This has caused tensions between the NGO and government sectors and has contributed to calls from NGOs for a reduction in red tape.

- Responding to NGO requests for new funds

In contrast, NGOs have limited opportunity to request for new funding through the submission of a registration of interest for funding. Registrations of interest processes were designed to provide the NGO with an opportunity to apply for funding for new NGO services or enhance existing NGO services if funding was available. In practice, there is rarely new funding made available to through the registrations of interest process.

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<sup>2</sup> Outcome measures are questionnaires that gather information about a consumer. For example, the Kessler 10+ was designed by Robert Kessler at the School of Public Health, Harvard University. It is a short outcome measure of non-specific psychological distress based on questions about the level of nervousness, agitation, psychological fatigue and depression in a consumer. The Kessler 10+ is widely used by the Australian Bureau of Statistics to measure psychological distress in the general Australian population.

- Renewing NGO grants

For Ministerial grants, NGOs must put forward a continuation of funding application once every three years (due 30 June as outlined in the Operational Guidelines Policy). Currently, most grant re-applications are supported and there is an expectation that grant funding is ongoing (known as recurrent funding).

**Questions for Consideration: NSW Health Grant Administration and Grant Management Practices**

*General question*

*Question 4. How can grant administration and grant management processes be improved?*

*Specific questions*

*Question 5. How should funding and performance agreements be improved?*

*Question 6. How should reporting requirements be improved?*

*Question 7. How should key performance indicators be improved?*

*Question 8. How should the process for establishing and renewing grants be improved?*

## 4.4 NGO Sector Financial Management, Quality Improvement and Capacity

*Terms of Reference 1 cii* Assess and report on the NGO's sector governance and management structures.

This section considers NGO structures associated with the financial management practices, quality of services and infrastructure capacity.

### **Financial Management Practices**

NGO financial management practices are very different across the spectrum of NGOs. For example, smaller NGOs may have a retired accountant or bookkeeper maintaining their accounts as a volunteer. A medium size NGO may employ a part time bookkeeper or accountant to maintain their financial accounts while a larger NGO may have a team of people providing financial administrative support including internal audit functions. Often, the smaller the NGO the greater the difficulties in meeting grant performance monitoring requirements. Smaller NGOs may experience difficulties in attracting or retaining suitably qualified staff and have difficulties in covering the relatively expensive costs in maintaining financial systems and financial reports that meet Australian Accounting Standards. However, this is not to say that larger NGOs with highly developed financial systems and specialised skills are necessarily more efficient.

Financial administration and financial management practices may place a burden on smaller NGOs. The sharing of financial administration services is one potential solution for reducing this burden on smaller NGOs. Another potential solution is for NSW Health to revise the current financial reporting and financial audit requirements or facilitate the development of shared financial administration functions between NGOs.

#### **Box 7: Sharing Financial Administration**

The Council of Social Service of New South Wales (NCOSS) has developed in conjunction with Zurich Financial Services Australia a feasibility study of potential models to share financial administration for small NGOs. This study looked at the outsourcing financial administration practices to financial specialists, co-locating or merging organisations, creating umbrella organisations to provide back of office functions and shared services arrangements. The paper also noted that the risks associated with partnerships arrangements. For example successful partnerships require high levels of trust is between involved NGOs (NCOSS, 2007).

#### **Box 8: Queensland Community Bookkeeper Initiative**

The Queensland Government (five Government Agencies including Queensland Treasury in conjunction with the Queensland University of Technology) developed a Standard Chart of Accounts and data dictionary for not for profit organisations. The Standard Chart of Accounts was designed to help NGOs with financial management reporting and to simplify and standardise bookkeeping practices. The NSW Department of Community Services (DoCS) has been investigating this initiative (Queensland Government, 2009).

### *Quality Improvement and the NGO Program*

The NSW Health NGO Funding and Performance Agreements stipulate that NGOs should undertake quality improvement activities. NGOs have consistently shown leadership in developing quality management and quality improvement strategies. Quality improvement strategies and accompanying risk management frameworks are now standard practice in the NGO sector.

#### **Box 9: NGO Leadership in Developing Quality Management Frameworks**

Women's Health NSW was the first NGO in Australia to develop Quality Improvement Standards for NGOs in 1989 in conjunction with Community Health Accreditation Standards Program now known as Quality Improvement Council with Quality Management Services (QMS) as their NSW arm. By the mid 90's NSW Health had embraced quality improvement strategies making it a condition of funding that NGOs aim towards accreditation and provided additional support by funding QMS to conduct quality improvement service reviews in partnership with NSW Health funded NGOs.

NSW Health has been a strong advocate for external quality review processes. These activities vary depending on the service provided by the NGO and the program funding the NGO. For example many organisations that receive funding from the Centre of Aboriginal Health provide medical services and therefore undertake the Australian General Practice Accreditation Limited (AGPAL) accreditation.

The diverse nature of the NGO sector means that mandating a particular Quality Improvement Program may not be beneficial. Each organisation has its own areas of interest and needs in regards to quality management and quality improvement strategies. Accreditation processes similarly depend on particular industry standards. Although government agencies have previously mandated quality management frameworks in the NGO sector, there is now an increasing trend nationally to reduce mandatory requirements so as to cut down on the burden of administration.

#### **Box 10: DADHC Reforms to its Quality Frameworks**

DADHC is introducing a new quality framework, which aims to minimise the compliance burden for service providers in meeting their reporting and compliance obligations. Under this system, DADHC will recognise accreditation by other government and non-government systems, for example, aged care accreditation. Where this aligns to DADHC's own quality requirements, accreditation may also be used to inform future purchasing decisions, minimising the need to use more onerous tendering processes. It also aims to:

- Reduce the frequency and complexity of reporting
- Better target support for organisations to meet compliance requirements, such as training programs in Minimum Data Set reporting
- Move towards an evidence based quality assessment and improvement process

## **NGO Infrastructure Capacity**

There have been a number of recent developments in capacity building NGO services. For example, NSW Health has provided capacity building (infrastructure) grants to the Mental Health Coordinating Council who subsequently distributed \$4 million across 61 organisations in four funding rounds. Hence, NSW Health established third party contracting arrangements with a peak body who in turn established NGO development strategies (see Box 11).

Other government agencies also provide NGOs with a range of capacity building services including workforce development initiatives, sharing services initiatives and information sharing initiatives including information communication technology services.

It is anticipated that the Productivity Commission will identify capacity building opportunities as part of its current study into the contribution of the not for profit sector (Productivity Commission, 2009).

### **Box 11: New Ways of Building NGO Infrastructure Capacity**

The Mental Health Coordinating Council advocated to NSW Health for funding to implement the NGO Development Strategy 2004-2007. The Strategy included three key initiatives: workforce development, quality outcomes/data management and partnerships. The Strategy established the Learning and Development Unit (LDU) to provide training to community organisations working with people who have mental health problems. The LDU delivers training packages for a range of qualifications to improve workforce competencies within the NGO mental health sector.

The Forum of Non Government Agencies (FONGA) developed a paper on options to improve the capacity of NGOs. This paper identified a number of NSW initiatives for NGO capacity building. Examples include the NCOSS Management Support Unit (MSU), which brokers and provides training in management and governance to NGOs across the human service sector. The paper pointed to future initiatives to build capacity including establishing shared services, providing tendering and contracting skill development, and further supporting Aboriginal, Torres Strait and Culturally and Linguistically Diverse Services (FONGA, 2008).

## **Questions for Consideration: NGO Sector Governance Structures**

### *General question*

*Question 9. How can NGO financial management, quality management and capacity be improved?*

### *Specific questions*

*Question 10. Should NGOs look for opportunities to share services such as financial administration and if so, how?*

*Question 11. What is the role of NSW Health to assist NGOs develop shared service arrangements?*

Question 12. *Should quality management in the NGO sector be mandatory and is the current NSW Health approach to quality management appropriate?*

Question 13. *How can the infrastructure capacity of the NGO sector be enhanced?*

## **4.5 Building Partnerships**

**Terms of Reference 1d** *Assess and report on communication between NSW Health and NSW Health funded NGOs.*

NSW Health, as articulated through the NSW State Health Plan, is striving to strengthen collaborations and partnerships with NGOs (NSW Health, 2007).

*Current arrangements for funding, organisation and delivery of human services involve three levels of government and a broad range of other agencies. Inevitably these complex arrangements lead to gaps in services and duplication. It will be vital to work collaboratively within and beyond the health system to better link and coordinate services and bridge gaps (p. 24)*

The Terms of Reference of the review provide the opportunity to review communication strategies between NSW Health and NGOs and make recommendations on opportunities to strengthen partnerships and collaborations. This section discusses the role, purpose and functions of the NGO Advisory Committee and peak bodies. It examines issues concerning the communication links between NSW Health, NGO Advisory Committee and peak bodies. It also considers opportunities to strengthen communication between NSW Health and NGOs that are not affiliated with peak bodies.

### **NGO Advisory Committee**

The NGO Advisory Committee (NGOAC) was established in 1996 by NSW Health to encourage collaboration, share information, provide advice, highlight issues and monitor the impact of NSW Health and State Government policies on the NGO sector. A number of NGO peak bodies are represented on the NGO Advisory Committee including

- Aids Council of NSW (ACON)
- Aboriginal Health & Medical Research Council (AHMRC)
- Mental Health Coordinating Council (MHCC)
- Network of Alcohol and Drug Agencies (NADA)
- Women's Health NSW (WHNSW)
- Council of Social Service of NSW (NCOSS)
- NSW Association for Adolescent Health (NAAH)
- Physical Disability Council of NSW (PDCN)

NGOAC provides a communication link and very broad level representation across the NSW Health and NGO sector. Although NGOAC provides a clear communication link across the NSW Health NGO Program, there are other examples where communication between relevant NSW Health representatives and NGO

representatives work more effectively. For example, the NSW Drug and Alcohol Program Council have developed strong communication links between NSW Health and various other government agencies and NGOs.

NGO representatives have stated that the relationship between NSW Health and the NGO sector is inequitable. The NGO representatives are requesting a partnership approach for the management of the NSW Health NGO Program. This would involve the development of a partnership culture which would include joint health service strategic planning and budget planning. NGO representatives have also claimed that NSW health could strengthen certain policy areas to improve communication and collaboration with particular NGO stakeholders, for example, family planning and women's health.

### **Box 12: Working Together**

The NSW Government and the NGO sector developed an agreement which outlined how the NSW Government and NGOs can focus their efforts in partnership. The Agreement describes the shared goals, shared values, principles for the relationship and roles of both NSW Government and NGOs. In this Agreement, the NSW Government committed to among other things:

- Ensure that the views of NGOs are sought and fully considered in social policy priorities and changes to human service programs
- Wherever possible, consult NGOs on issues that are likely to affect them in a manner that allows reasonable time for response
- Establish appropriate opportunities for NGOs to fully participate in human services planning and evaluation processes
- Recognise the interest of NGOs to pursue their own organisational goals, but expect that the objectives of any government funding received will be fully met by the organisation

NGOs, on the other hand, committed to among other things:

- Promote the participation of disadvantage people and communities in the planning and management of services
- Provide disadvantaged people and communities with opportunities to participate in the formation of policy positions and responses to government consultations
- Deliver services and initiatives funded by Government in a transparent, accountable and professional manner and in accordance with agreements negotiated for these purposes
- Pursue policy development, program design and advocacy through various means including consultation and collaboration with government agencies (NSW Government, 2006)

### **NGO Peak Bodies**

NGO Peak bodies play an important role in supporting the NGO sector. NGO peaks may either pursue their organisational goals on behalf of their members (systematic advocacy) or on behalf of their consumer groups (individual advocacy). For NGO Peak bodies generating income through membership fees, these NGO Peak bodies are accountable to their members.

Peak bodies may also receive Government funding to undertake policy and advocacy, sector development, community development and capacity building, consultation and other activities. Where this occurs, peak bodies are responsible to the Government for their performance in relation to the service or initiative being funded.

**Box 13: Peak Body Support Model**

FONGA in its paper on initiatives to improve the sustainability and performance of the NGO sector put forward a proposal to develop the capacity of peak bodies to deliver a range of service for its members in return for a membership fee, subscription fee or a combination of both. It was further suggested that shared services provided by statewide peaks can be tailored to suit the need of a wide spectrum of NGOs of varying size and complexity. For example, the Network of Alcohol and Drug Agencies (NADA) provides organisation development support and staff training and development strategies for members. A Resource Kit was developed jointly by NSW Health and NADA as a guide for alcohol and other drugs agencies to put in place workforce development practices in their agencies (FONGA 2008).

***Strengthening Communication between NSW Health and NGOs that are not Affiliated with Peak Bodies***

Not all NGOs are members of Peak NGO bodies. This is especially the case with NGOs based in rural and remote communities.

Some regional NGOs without peak body representation have suggested that current NGO consultation methods are metropolitan (city) focused and that NSW Health could develop more rural and remote based consultation processes. Rural and remote community issues are different to metropolitan issues and strategies should be developed to account for these differences.

### **Box 13: Rural and Remote Area Considerations**

In its submission to the Productivity Commission on the contribution of the NGO not for profit sector, the Queensland Government highlighted the particular challenges of rural and remote communities. These communities face particular challenges in establishing viable service delivery arrangements. They are often geographically isolated from regional service hubs and have limited public transport options to support service access. Relatively small population bases, low levels of local infrastructure and difficulties in attracting, accommodating and supporting professional staff often make the delivery of locally based services difficult and expensive. Where services do exist, they are often over-subscribed, with limited or no capacity to take on additional service delivery arrangements.

In some communities strong networks of Government and NGO providers have a capacity to respond effectively to changing demand. Other communities, however, struggle to attract skilled and viable providers resulting in interrupted, declining, inappropriate or geographically distant service delivery. In many communities, innovative and collaborative approaches to service delivery have mobilised local resources and effort and increasingly accessible and sophisticated information and telecommunications platforms are making possible a range of innovations in service delivery (Queensland Government, 2009).

### **Questions for Consideration: Building partnerships**

#### *General question*

*Question 14. How could partnerships, collaborations and communication between NSW Health and the NGO sector be improved?*

#### *Specific questions*

*Question 15. How could communication practices between the NGO sector and NSW Health be improved, including enhancing the role and function of the NGO Advisory Committee?*

*Question 16. What should be the role, purpose and function of Peak NGOs in relation to the NSW Health system?*

*Question 17. How can communication practices with NGOs that are not affiliated with peak bodies be improved?*

*Question 18. How could NSW Health improve its consultation practices with NGOs working in, and with, rural and remote communities?*

## 4.6 Reducing the Administrative Burden for NGOs

**Terms of Reference 1e** *Assess and report on ways that the administrative burden can be reduced for NGOs.*

The Terms of Reference provides the opportunity to find ways to cut down on the red tape in the NGO grant program. This section discusses opportunities for reducing the administrative burden and considers information technology solutions.

### **Box 14: Best Practice Reduction in Red Tape Initiatives**

#### **Families, Housing Community Services and Indigenous Affairs (FaHCSIA's) New Approach to Funding NGOs**

In a review that was aimed at reducing red tape burdens on NGOs, FaHCSIA developed a new model for funding NGOs. This new model established a risk based proportional funding approach depending on the nature of the program, the assessed risk of the program/service provider, the length of the funding and its value. The key characteristics of this model include pre-registration of service providers (rather than ongoing tendering), flexible and multiple funding agreements (e.g. letter of funding, minimalist agreement, standard agreement and capital asset agreement), performance management framework that relies on existing information already collected and client satisfaction surveys. FaHCSIA has also adopted relationship management techniques use qualitative monitoring techniques and support the NGO to be successful. FaHCSIA has further encouraged stronger involvement of the peak bodies to represent the views of their members.

#### **Queensland Government Framework for Investment in Human Services, the Queensland Compact: Towards a Fairer Queensland**

The Queensland Government has introduced a framework to improve partnerships with NGOs and to reduce the administrative burdens associated with funding and reporting processes. The framework seeks to implement grant administration and grant management processes that are determined in consideration of the nature of the Government's investment and the following risk factors:

- The level of funding involved (< or > \$100,000)
- Type of service being supported via funding
- Clients to be supported
- History of the organisation receiving Government funding
- Nature of the funding (e.g. one-off or triennial)
- Total quantum of funds received across all departmental program areas
- Number and diversity of alternate providers

For many funded organisations, this has resulted in less frequent and less onerous reporting (Queensland Government, 2009).

Reducing red tape for the NGO sector is a concern of many NSW State government agencies. Discussions between agencies have suggested a number initiative, including those listed below:

- Extend contract duration to providers with a history of successfully delivering performance on established programs
- Harmonise requirements for annual audited financial statements across agencies, progressively expanding to other NGOs as supported by future risk management practice
- Establishing a common approach to risk management and NGO engagement management across agencies
- Share and accept NGO performance and contract details across agencies to reduce repeated requests to NGOs for similar information
- Apply better funding practice developed by the Commonwealth Government agencies such as FaHCSIA (DPC, 2009)

### ***Delegations for Approval***

Ensuring that approval processes are timely and efficient, while maintaining appropriate controls over grant expenditure is central to the debate on delegated approvals. NSW Health ministerial grants program recommendations are currently reviewed by seven officials including Managers, Directors, Chief Financial Officers, Area Chief Executive Officers, Deputy Directors-General, Director-General and the Minister. As a result the Ministerial grant approval process takes a considerable period.

The Auditor-General has recommended that agencies review their grant program delegation systems (Auditor General 2009). There is also a national trend to utilise delegations that lessen the burden of administration by linking funding processes to the risks involved.

### ***Information Communication Technology Solutions to Cut Down on Red Tape and Improve Transparency***

The NSW Auditor-General has recommended that government agencies investigate using web based technologies to gain efficiencies in grant administration and improve transparency (AG, 2009). Similarly, the Independent Pricing and Regulatory Tribunal (IPART) has recommended for the staged implementation of an integrated electronic grants administration system for all State government agencies (IPART, 2006).

In general, NSW Health uses Microsoft Excel spreadsheets for grant administration and grant management purposes. It is likely that there are more efficient and transparent ways to manage and administer grants than the current use of Excel spreadsheets. Excel is simple to use and most organisations have this software available. However, large and multiple Excel spreadsheets are difficult to maintain, have security and internal control risks and no automatised reporting capabilities.

#### **Box 15: New ICT solutions**

##### **Department of Ageing, Disability and Home Care (DADHC)**

DADHC has developed a Service Provider Portal, which is a secure web based application that provides access to a range of information for service providers and opens channels of communication between service providers and DADHC. The Service Provider Portal improves the information flow between service providers and DADHC, establish ebusiness processes and streamlines reporting and accountability processes (NSW Government, 2009).

### **Queensland Department of Communities – Online Acquittal Support Information System**

The Queensland Department of Communities is undertaking a statewide roll out of the Online Acquittal Support Information System (OASIS) to achieve a more sustainable community service system that delivers better value. OASIS was initially delivered state wide in January 2009 to 497 organisations, with 121 registering to use the system as at 22 May 2009.

OASIS provides NGOs with one reporting point rather than several. NGOs will be able to reconcile, share, submit and view historical financial and performance acquittals, as well as maintain organisational details online.

Benefits reported by NGOs include a reduction in the time spent on quarterly reporting, meaning more time was directed to providing services to the community. Information held in a central place was accessible to multiple people within the organisation at different physical locations and management committee members were able to approve financial and performance acquittals without having to travel to sign forms (Queensland Government, 2009).

### **NSW Centre for Aboriginal Health**

The Centre for Aboriginal Health is developing a business case to trial a Microsoft CRM application for managing grants. The objective of this ICT solution is to standardise and coordinate grant administration for Centre for Aboriginal Health NGO Grants. The CRM application links all Microsoft Office applications and can link existing health service ICT applications. If successful, this ICT solution for managing grants has the potential to expand to the broader NSW Health NGO Program.

### **Questions for Consideration: Reducing Administration Burdens**

#### *General question*

*Question 19. How can the administration burden be reduced for NGOs?*

#### *Specific questions*

*Question 20. What initiatives should NSW Health adopt that would maximise the reduction in administrative burden for NGOs?*

*Question 21. What initiatives or best practices from other government agencies should NSW Health adopt in its NGO Program to reduce the administrative burden on NGOs?*

*Question 22. What delegation approval processes should NSW Health adopt to ensure timeliness and probity in NGO Grant decision making?*

*Question 23. What web based technologies and/or other government agency information technology communication best practices should NSW Health develop to improve the efficiency and transparency of the current NSW Health NGO grant program?*

## **4.7 Further Matters**

This Discussion Paper has described a variety of issues in which the NSW Health NGO Program can be reformed and identified some organisational and operational matters which would need to be considered.

### ***Questions for Consideration: Further Matters***

*Question 24. Are there other relevant matters to the review which have not been identified in the Discussion Paper?*

## **5 Questions for Consideration**

### **Strategic Directions**

#### *General question*

- Question 1. *How should NSW Health ensure that the health funded NGO Program aligns with or is complementary to the NSW State Health Plan and other relevant NSW Health plans/strategic directives?*

#### *Specific question*

- Question 2. *How should the NSW Health NGO Program ensure that the planning and allocation of resources reflects community demographics, emerging models of care, results of demand analysis and evidence of what will provide the greatest return on investment?*

### **Services Provided by NGOs**

- Question 3. *What processes should be in place to ensure that grant funding is appropriately distributed across regions, program areas and service types?*

### **NSW Health Grant Administration and Grant Management Practices**

#### *General question*

- Question 4. *How can grant administration and grant management processes be improved?*

#### *Specific questions*

- Question 5. *How should funding and performance agreements be improved?*
- Question 6. *How should reporting requirements be improved?*
- Question 7. *How should key performance indicators be improved?*
- Question 8. *How should the process for establishing and renewing grants be improved?*

### **NGO Sector Financial Management, Quality Improvement and Capacity**

#### *General question*

- Question 9. *How can NGO financial management, quality management and capacity be improved?*

#### *Specific questions*

- Question 10. *Should NGOs look for opportunities to share services such as financial administration and if so, how?*
- Question 11. *What is the role of NSW Health to assist NGOs develop shared service arrangements?*

Question 12. *Should quality management in the NGO sector be mandatory and is the current NSW Health approach to quality management appropriate?*

Question 13. *How can the infrastructure capacity of the NGO sector be enhanced?*

### **Building partnerships**

#### *General question*

Question 14. *How could partnerships, collaborations and communication between NSW Health and the NGO sector be improved?*

#### *Specific questions*

Question 15. *How could communication practices between the NGO sector and NSW Health be improved, including enhancing the role and function of the NGO Advisory Committee?*

Question 16. *What should be the role, purpose and function of Peak NGOs in relation to the NSW Health system?*

Question 17. *How can communication practices with NGOs that are not affiliated with peak bodies be improved?*

Question 18. *How could NSW Health improve its consultation practices with NGOs working in, and with, rural and remote communities?*

### **Reducing Administration Burdens**

#### *General question*

Question 19. *How can the administration burden be reduced for NGOs?*

#### *Specific questions*

Question 20. *What initiatives should NSW Health adopt that would maximise the reduction in administrative burden for NGOs?*

Question 21. *What initiatives or best practices from other government agencies should NSW Health adopt in its NGO Program to reduce the administrative burden on NGOs?*

Question 22. *What delegation approval processes should NSW Health adopt to ensure timeliness and probity in NGO Grant decision making?*

Question 23. *What web based technologies and/or other government agency information technology communication best practices should NSW Health develop to improve the efficiency and transparency of the current NSW Health NGO grant program?*

### **Further Matters**

Question 24. *Are there other relevant matters to the review which have not been identified in the Discussion Paper?*

## Appendix One: Review Reference Committee Membership

Name	Organisation
Richard Matthews – Chair	Deputy Director General, Strategic Development, DoH
Denele Crozier	Women's Health NSW
Alison Peters	Council of Social Service of New South Wales (NCOSS)
Karen Willis	NSW Rape Crisis Centre
Ruth Robinson	Physical Disability Council of NSW
Rodger Williams	The Aboriginal Health and Medical Research Council of New South Wales (AH&MRC)
Ann Brassil	Family Planning NSW
Larry Pierce	Network of Alcohol and Other Drug Agencies (NADA)
Jenna Bateman	Mental Health Coordinating Council (MHCC)
Emma Marshall	NSW Association for Adolescent Health
Stevie Clayton	AIDS Council of New South Wales (ACON)
Cathrine Lynch	Primary Health and Community Partnerships, DoH
Tim Cheeseman	Finance and Business Management, DoH
Helen Nezeritis	Mental Health and Drug and Alcohol Office (MHDAO), DoH
Joanne Young	Community and Government Relations Unit, DoH
Brian Woods	Centre for Aboriginal Health, DoH
Darryl O'Donnell	AIDS & Infectious Diseases, DoH
Dr Greg Stewart	Area Health Service, Director, Population Health, Planning and Performance
Yola Kaye	Area Health Service, NGO Coordinator (Metropolitan)
Peter Scolari	Area Health Service, NGO Coordinator (Rural)

### Review Secretariat

Simone Proft	Community and Government Relations Unit, DoH
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## Appendix Two: Terms of Reference

1. NSW Health NGO grant program
  - a. Assess and report on NSW Health's NGO Grant Program's alignment to and complementarity with the NSW State Health Plan including
    - i. Flexibility within the program to re-direct grants according to emerging issues or changing models of service delivery
    - ii. Flexibility of NGOs to alter programs to meet emerging needs of the community.
    - iii. Assess the complementarity of NSW Health funded NGO services to the policy and program directions of NSW Health and other State Government strategic policies.
    - iv. Examine ways NGOs are able to develop and provide services in areas of need unmet programmatically by government.
  - b. Assess and report on the range and role of services provided by NGOs in each program area, including
    - i. Whether services are core government services.
    - ii. NGOs' interface/s with government services and program policy areas for service delivery and planning.
  - c. Assess and report on governance and management procedures within NSW Health, including transparency of:
    - i. NSW Health's governance and management structures of NGOs, including:
      - a. Performance, reporting and monitoring structures
      - b. Grant application and approval processes
      - c. Delegations for approval
    - ii. NGO's sectors governance and management structures, including:
      - a. NGO's financial management
      - b. Quality of services provided by NGOs
      - c. NGO infrastructure capacity
  - d. Assess and report on communication between NSW Health and NSW Health funded NGOs, including:
    - i. Role, purpose and function of NGO Advisory Committee
    - ii. Role, purpose and function of peak NGOs with its member NGOs
    - iii. Assess opportunities to improve communication with NSW Health funded NGOs that are not affiliated with a Peak NGO.
  - e. Assess and report on ways that the administrative burden can be reduced for NGOs, including through:
    - i. Identifying duplication in reporting across state government.
    - ii. Identifying opportunities for reducing administrative burden through interagency cooperation.
    - iii. Identify opportunities for administrative efficiencies through NGO cooperation and sharing of infrastructure capacity

2. Best Practice NGO Grant Funding
  - f. Review and report on models of service delivery in the non-government sector, nationally and internationally.
3. Review outcomes
  - g. Deliver a framework that enables the most efficient, effective and responsive NSW Health NGO Program practicable.
  - h. A framework for the NGO Grant Program in NSW that ensures program expenditure is aligned to and complementary with NSW Health strategic priorities including the NSW State Health Plan and directions in community health services. Including transparent structures for:
    - i. Advising on NSW Health strategic priorities and opportunities for NGOs
    - ii. Making changes in funding priorities to improve efficiency
    - iii. Ensuring services to be delivered by NGOs are aligned to and complementary with NSW Health strategic priorities
    - iv. Ensuring an appropriate and robust system of assessment for NGOs (including service, financial management, and quality aspects)
    - v. Developing a generic framework for quality, including mutual recognition of quality assurance programs with other NSW state agencies.
  - i. A mechanism for NSW Health to consult and communicate with NGOs
  - j. A plan is developed for implementation of the Review Recommendations

## Appendix Three: Key deliverables and Timeframes

Deliverable	Delivered By Whom	By When
<b>Developmental Review Phase</b>		
Project Plan: Final Draft	Project Officer	March 2009
Suspend NGOAC pending Review finalisation	Deputy Director-General, Strategic Development (DD-G, SD)	March 2009
Establish Steering Group	Director	March 2009
<b>Review Process</b>		
Collect information required for audit of NSW Health funded NGO activities	Project Officer	July 2009
Analyse data and report on scope of activity	Project Officer	July 2009
Undertake Review	Contractor	July to November 2009
Scoping paper: NSW Health funded NGOs: Current situation and current Best Practice	Contractor	October 2009
Recommendations paper: Operational and Strategic Directions for NSW Health funded NGOs	Contractor	December 2009
<b>Response to the Review</b>		
Prepare final Departmental response	Project Officer	March 2010
Approval to print and distribute Review and associated response	Director-General	April 2010
Review report and Departmental response distributed	Project Officer	April 2010

### Communication Strategy and Governance Structure - Timeframes

Deliverable	Delivered By Whom	By When
<b>Communication strategy</b>		
Develop Communications Strategy	Policy Officer	March 2009
<b>Governance</b>		
Establish Steering Group	Project Leader	February 2009
Regular Meetings	Policy Officer	May, September, November and December 2009. Further meetings will be organised as required.

## Appendix Four: Policies applicable to the NSW Health NGO Grants

Name	Type	Date	Link
<i>Area Specific</i>			
Transport for Health	Policy Directive PD2006_068	24 August 2006	<a href="http://www.health.nsw.gov.au/living/transport/">www.health.nsw.gov.au/living/transport/</a>
Council of Commonwealth Government (COAG) - National Action Plan on Mental Health 2006 - 2011	Mental Health Action Plan	February 2008	<a href="http://www.coag.gov.au/reports/docs/AHMC_COAG_mental_health.pdf">http://www.coag.gov.au/reports/docs/AHMC_COAG_mental_health.pdf</a>
Drug & Alcohol Treatment Guidelines for Residential Settings	NSW Health Guideline GL2007_014	6 August 2007	<a href="http://www.health.nsw.gov.au/policies/ql/2007/pdf/GL2007_014.pdf">www.health.nsw.gov.au/policies/ql/2007/pdf/GL2007_014.pdf</a>
<i>Employment Screening</i>			
NSW Commission for Children and Young People - Working with Children Employer Guidelines	Guidelines	May 2009	<a href="http://www.kids.nsw.gov.au/uploads/documents/wwcc_guidelines_full.pdf">http://www.kids.nsw.gov.au/uploads/documents/wwcc_guidelines_full.pdf</a>
Employment Screening Policy	Policy Directive PD2008_029	10 June 2008	<a href="http://www.health.nsw.gov.au/policies/PD/2008/PD2008_029.html">http://www.health.nsw.gov.au/policies/PD/2008/PD2008_029.html</a>
<i>General</i>			
NGO Operational Guidelines	Policy Directive PD2005_683	August 2000	<a href="http://www.health.nsw.gov.au/pubs/2001/pdf/operational.pdf">http://www.health.nsw.gov.au/pubs/2001/pdf/operational.pdf</a>
ADHOC Requests for funding – Organisations External to NSW Health	Policy Directive PD2005_507	1 March 2005	<a href="http://www.health.nsw.gov.au/policies/pd/2005/pdf/PD2005_507.pdf">www.health.nsw.gov.au/policies/pd/2005/pdf/PD2005_507.pdf</a>
Working Together for NSW – An Agreement between NSW Government and NSW Non-Government Human Services Organisations	NSW Government	21 June 2006	<a href="http://www.ncoss.org.au/hot/compact/communiqué-june06.pdf">www.ncoss.org.au/hot/compact/communiqué-june06.pdf</a>
Working together for NSW: An agreement between the NSW Government and NSW Non-Government Human Services Organisations. Good Practice Guide: NGO Participation in integrated regional human services planning processes	Good Practice Guidelines FONGA (Forum of Non-Government Agencies)	6 August 2007	<a href="http://www.ncoss.org.au/hot/compact/wtfnsw-good-practice-guide-ngo-participation.pdf">http://www.ncoss.org.au/hot/compact/wtfnsw-good-practice-guide-ngo-participation.pdf</a>
Premiers Department - Grant Administration – Good Practice Guidelines	Guidelines	8 January 2008	<a href="http://www.dpc.nsw.gov.au/publications/grants_administration/good_practice_guide_to_grants_administration">http://www.dpc.nsw.gov.au/publications/grants_administration/good_practice_guide_to_grants_administration</a>
State Health Plan – A new Direction for NSW Towards 2010	NSW Health - Plan	1 February 2007	<a href="http://www.health.nsw.gov.au/pubs/2007/state_health_plan.html">www.health.nsw.gov.au/pubs/2007/state_health_plan.html</a>
Future Directions for Health in NSW – Toward 2025	NSW Health Plan	February 2007	<a href="http://internal.health.nsw.gov.au/pubs/2007/pdf/future_directions.pdf">http://internal.health.nsw.gov.au/pubs/2007/pdf/future_directions.pdf</a>
Fit for the Future – Planning for the Future 2025	NSW Health – Discussion Paper	1 May 2006	<a href="http://www.health.nsw.gov.au/pubs/2006/fit_for_future.html">www.health.nsw.gov.au/pubs/2006/fit_for_future.html</a>
Interpreters – Standard	Policy Directive	11 July 2006	<a href="http://www.health.nsw.gov.au/policies/pd">www.health.nsw.gov.au/policies/pd</a>

<b>Name</b>	<b>Type</b>	<b>Date</b>	<b>Link</b>
Procedures for Working with Healthcare Interpreters	PD2006_053		<a href="/2006/pdf/PD2006_053.pdf">/2006/pdf/PD2006_053.pdf</a>
Grant Funding Programs within NSW Health – Standard Application Form	Policy Directive PD2005-597	10 June 2005	<a href="http://www.health.nsw.gov.au/policies/pd/2005/PD2005_597.html">http://www.health.nsw.gov.au/policies/pd/2005/PD2005_597.html</a>
Non-Government Organisation Grant Program - operational guidelines	Policy Directive PD2005_583	4 May 2005	<a href="http://www.health.nsw.gov.au/policies/pd/2005/PD2005_583.html">http://www.health.nsw.gov.au/policies/pd/2005/PD2005_583.html</a>
Accommodation - Health Owned - Requests from External Organisations	Policy Directive PD2008_049	22 August 2008	<a href="http://www.health.nsw.gov.au/policies/pd/2008/PD2008_049.html">http://www.health.nsw.gov.au/policies/pd/2008/PD2008_049.html</a>
Sponsorships Policy - NSW Health	Policy Directive PD2005_415	27 January 2005	<a href="http://www.health.nsw.gov.au/policies/PD/2005/PD2005_415.html">http://www.health.nsw.gov.au/policies/PD/2005/PD2005_415.html</a>
Ad Hoc Requests for Funding - Organisations External to NSW Health	Policy Directive PD2005_507	1 March 2005	<a href="http://www.health.nsw.gov.au/policies/pd/2005/PD2005_507.html">http://www.health.nsw.gov.au/policies/pd/2005/PD2005_507.html</a>

## Appendix Five: Definitions/Glossary of Terms

Terms/Abbreviations/Acronyms	Meaning
AHS	Area Health Service/s
CE	Chief Executive
NGO	Non-government organisation OR Grant recipient
The Department	NSW Health Department
NSW Health	NSW Health system
PHCPB	Primary Health & Community Partnerships Branch
Peaks	Peak NGO
Operational Guidelines	Operational Guidelines: NGO Grant Program
NGOAC	NSW Health NGO Advisory Committee

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