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Re: ICAC CONSULTATION
Funding NGO Delivery of Human Services in NSW: A period of transition

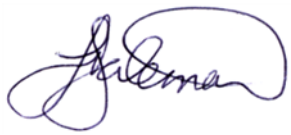
To whom it may concern,
The Mental Health Coordinating Council (MHCC) is the peak body for mental health community managed organisations in NSW. We thank you for the opportunity to provide feedback on *'Funding NGO Delivery of Human Services in NSW: A period of transition'.*

It is necessary to point out up front that comment provided by MHCC is done despite our extreme objection to the tone and inference within this ICAC Consultation paper that NGOs are prone to corruption. The patronising approach to NGOs taken within the document points to a negative valuing of the role NGOs play in enabling people to contribute to their communities and poor recognition of the role of funders in ensuring adequate resources and guidelines are provided for sound grant administration practice. Reference to these important issues is expanded upon within our submission.

You will find our submission is comprised of **Attachment 1** which provides direct answers to the questions posed within the ICAC Consultation paper and **Attachment 2** which provides some additional information about the community sector specifically in the mental health context.

In summary, MHCC supports establishment of an independent regulator as this mechanism has the potential to support and recognise the important function of the community sector. This includes the small NGOs that may struggle with governance and administrative requirements but who add considerably to the richness, diversity and responsiveness of the sector. Whilst most large organisations are able to demonstrate sound administration practice they can over time become less responsive to local community need but more able to undertake research, workforce development, data collection and management and other quality improvement activities. A mix of small and large NGOs that can support and contribute to each other's missions is necessary for a strong and responsive community sector.

Yours Sincerely,



Jenna Bateman
Chief Executive Officer

Attachment 1

Mental Health Coordinating Council (MHCC) Submission

ICAC CONSULTATION
Funding NGO Delivery of Human Services in NSW: A period of transition

Government Agency Design

2.1: Internal Arrangements

1. ***Which control decisions should be (a) centralised and (b) decentralised to the regions or lower level?***

The relationship between central agencies and regional structures must be clear and flexible. Local differences in population groups will mean programs will need customisation and regional structures are best placed to articulate the best way a program should be delivered in areas under their jurisdiction. Central agencies should be tasked with determining the broad model or program and ensuring funds are distributed in such a way that people across the state have access to the program. Central agencies should have an awareness of the number of hours required to support an individual with a specific support need and design programs that can accommodate flexibly around that need. For example, identifying that on average there are X number of people with severe mental health issues in a population of 100,000 requiring X hours of support per day across an agreed service taxonomy (such as accommodation support, employment or activity, social engagement etc) allows a framework for service allocation to be established at the central level. In mental health this approach is operating for public mental health services and is in development for community based services delivered through community organisations. The dollar amounts attached to those support hours should be determined centrally but the customisation of those 'packages of hours' should be determined in consultation with the regional structures. An area where there is a specific CALD population may mean accommodation support is more tied in with extended family linkages than another area for example. Funding and evaluation of services should be a central function decision and service planning and service delivery a regional function decision.

2. ***How can control be streamlined?***

Ongoing oversight and management of centrally funded programs should be done in partnership with the NGO providers, the regional representatives and the central agency. There needs to be quarterly meetings which bring all parties together to troubleshoot, realign priorities and introduce new elements as positive findings and outcomes from the program are tested and shared. Whilst this process is somewhat intensive, the savings from bringing all players together to streamline the service product far outweighs incidental meeting costs. The Housing and Accommodation Support Initiative (HASI) and the Mental Health Family and Carers Program both operate on these principles and are strong coherent programs as a result.

3. ***What are the advantages and disadvantages of the programmatic approach to service design and delivery?***

Programmatic approaches provide a level of consistency in service access across the state. They also allow implementation of rigorous evaluation frameworks which in turn provide funders with the information they need to further develop programs that demonstrate positive outcomes for service users. Programmatic approaches also allow service benchmarking which encourages continuous improvements and sharing of good practice across regions .Programmatic approaches must be underpinned by sound infrastructure that allows for program cohesion, without which the benefits of this approach will be lost over time.

Disadvantages of a programmatic approach include lack of flexibility to meet local need; prioritisation of the model over the individual needs of service users (e.g participation in a housing program targeted at single people when many people may prefer and do better living with others) ; lack of responsiveness to emerging knowledge or innovation due to centralised control; and development of a psychology that one size fits all and other more individual models or approaches are less valid because they haven't had the focus on evaluation or attention by politicians and media.

2.2 Information Management Systems

4. ***What would be necessary for both head office and frontline staff to have access to key performance information in a form that would facilitate monitoring of NGO issues?***

It is necessary for the NSW government to form a coherent data management strategy for its health and community service NGO programs. Currently government funders of NGO services in NSW have vastly differing reporting requirements depending on the program (sometimes within the same agency) and depending on which level of a department is being reported to. For example, most Local Health Districts have their own reporting requirements which differ from each other and from the funders at NSW Health head office. This means that NGOs collect large amounts of the same data in slightly different ways to meet reporting obligations. This data presumably needs to be collated and reported back up the line within the NSW government, however it is unlikely that this reporting could be of high quality given the disjointed and redundant nature of the data being collected. Working with the sector on a **common language** (i.e. through a NSW-wide, or preferably nation-wide, data dictionary and sector minimum data set) provided to both funders and service providers would allow standardisation of data item collection and reporting. This can and has been done for the NSW NGO sector, however take-up has been hindered by inadequate infrastructure funding and inconsistent NGO sector consultation.

Reference: Mental Health Coordinating Council. (2010). *The NSW Community-Managed Mental Health Sector Data Management Strategy Report: Phase One.* Sydney, Australia. http://www.mhcc.org.au/B8F6C54A-6F67-4069-BDB4-F294DB99171D/FinalDownload/DownloadId-468E83F5A1FB6AC68BD63635EEE99F54/B8F6C54A-6F67-4069-BDB4-F294DB99171D/documents/MHCC-Data-Management-Strategy-Phase-One-Report-2010.pdf

5. How can quality information about client experience be obtained?

The type and quality of data systems for collecting and reporting usable individual client-level data is very variable across the community sector. Numerous data systems are available to collect high quality client experience information, however many NGOs simply cannot afford them given the instability of funding arrangements. NGOs struggle to make major IT infrastructure purchases through "administrative overhead" funding that is sometimes, and sometimes not, considered when program funding is being negotiated.

Either specific grant funding for IT infrastructure should be provided, or a rethink of funding mechanisms to provide ongoing funding streams, with realistic administrative overheads, in programs with accreditation or quality-based accountability so that providers can plan ahead for large infrastructure purchases.

6. How can the recording of performance information be improved at frontline and head offices?

If the above mentioned infrastructure is put in place then funders would be able to refocus reporting on outcomes of service provision, rather than merely requesting output data as is more commonly the case. In the health and community services sectors there are many evidence-based measures of client and service outcomes, however funders have traditionally been disinterested in NGO outcome data. In order to change funder attitudes that NGOs "can't really demonstrate outcomes" there needs to be a clearer understanding by funders of what NGOs do. Realistic funding of sector infrastructure (including information systems, physical resources, and training) would make robust performance and accountability measurement possible.

7. What information should trigger investigations of NGOs?

Poor completion of reporting obligations including activity reports, audited financial statements and quality review; funds overspend; consumer feedback; community feedback; workers compensation rates.

8. How can an information management system be balanced to evaluate government programs, regions/offices and NGOs?

Currently information systems are designed for individual programs with little consideration for other parts of the funding system. An elegant and relatively affordable solution would be to work with the sector to develop a NSW Minimum Data Set for as many mental health and related programs as possible, available to both funders and NGOs, with standardised data items consistent with the national data dictionaries. This would create a common language between government departments, funders, programs and NGOs, which would increase data quality across the board while simultaneously reducing administrative burden for both NGOs and agencies within the NSW government needing to collate information for reporting. As identified and referenced in Q.4 work relevant to this approach has been completed by MHCC.

2.3 Human Capabilities

9. What are the key agency skills for the management and control of NGO funding?

Sound understanding and respect of the role and function of NGOs and why they are an important aspect of democratic societies. Clear processes for establishment of KPIs for all grants. Consistent and timely monitoring and review of all grants. Establishment of an alert or 'red flag' system to

ensure grant recipients are made aware in a timely manner where reports or other grant requirements have not been met or where they may only have been met in part. An approach that is 'problem solving' as opposed to punitive where NGOs struggle to achieve agreed grant requirements.

10. What skills shortages currently exist in human services agencies?

The current skills shortages are for front line service delivery staff to provide 'human' (i.e., health and community) services. The national Community Services and Health Industry Skills Council (CS&HISC), that happens to be based in Sydney, could make an excellent informant in responding further to issues related to skills shortages and competencies required – especially as this relates to gaps that may exist in the nationally endorsed vocational training packages that are currently under review. The CS&HISC along with the new statutory body, Health Workforce Australia, have also identified skills shortages in the area of 'leadership and management'. MHCC note that such leadership is not necessarily restricted to the development of, for example, financial management and human resources skills. Leadership to affect organisational cultural change to be more transparent and accountable also needs to consider emotional intelligence. This is something that seems to be lacking in many government agencies.

11. Is it feasible to have frontline staff undertake generalist roles (for example, in social services) as well as a variety of specialist roles (for example, finance, contracting and procurement)?

It is preferable to have a split between these functions however there are advantages for more administrative staff having a good understanding of the people the organisation is supporting. The clinical load many medical staff maintain despite undertaking managerial roles is accepted practice as it is felt to enhance decision making.

12. What specialist skills are required by staff in the head offices of human services agencies?

See response to Q 10.

13. What specialist skills are required by staff located near the point of service delivery?

This depends on the client group being supported by the organisation and by the nature of the support activity. Eg skills in family therapy where a family member has a mental illness which is impacting on the family unit as against skills in social connection where a person with mental illness is isolating themselves as a result of stigma.

2.4 Disincentives to Report and Act

14. In what circumstances should defunding decisions be at a regional, head office or ministerial level?

On the basis that an independent regulatory body such as a NGO Ombudsman be established who is responsible for auditing/ investigating the conduct of any NGO, a mechanism should be in place whereby the Ombudsman informs the office of the relevant Minister. The Minister's office should be tasked to inform the office funding the NGO to write to the NGO advising them that they are to be defunded.

An appeal process should be available to the NGO unless court proceeding are to follow the investigation. The NGO should be informed as to that appeal process and that defunding will be held over in trust until the appeal process is finalised.

15. Should the funds recovered from a defunded NGO be returned to the relevant region instead of the head office?

Any funds recovered should be utilised within the region by another provider undertaking similar work and selected through an EOI process.

16. How can the continuation of services be maintained in a defunding situation?

Any investigation into the conduct of a NGO must also present a report on the likely impact of defunding on the recipients of services.

A plan as to transfer of care-coordination to alternative services must be provided or the installation of an interim manager to conduct the business under the instruction of the funding body.

Following a defunding process and any appeal processes, any monies recovered should be provided to another NGO provider in the region , selected by and EOI process to deliver similar services to the same target population.

17. Should all NGOs be subject to a government regulator or regulators and, if so, should one regulator or multiple regulators perform this role?

The NGO community would be better served if the tasks of regulating and supporting the sector were reassigned. It might well be that all these roles cannot be optimally performed within a specific government department, or indeed within government at all. This is because government budgets are shaped by forces beyond an entity's actual need, such as political will, economic conditions, international pressure, and other, seemingly more pressing demands on limited government resources.

It can be argued that the existence of a positive and enabling regulatory environment - one that promotes good governance while at the same time respecting the independence of the NFP sector, should not be subject to government's inclinations and limitations. Salomon and Flaherty, looking at issues of non-profit law, conclude that where regulatory authorities are uncooperative, "a separate non-profit registration authority may therefore be the most promising and easiest for non-profits to use" (Salamon and Flaherty, 1996).

One solution worth discussion is an independent regulatory authority- an NFP Ombudsman. It could register all types of NFP organisations and monitor their 'conformance' with reporting requirements. Its power would be delegated by the government authorities that now exercise it, according to legislative and statutory provisions.

Further, an independent regulatory body could collate and distribute information on the NFP sector, including through a common database of all registered NGOs, open to the public and available electronically.

While NGOs can use the courts for any serious offenses, it may be appropriate to have some sort of procedure for the independent regulatory authority to receive and consider complaints and, where necessary, refer them to the authorities for investigation.

Reference: Salamon, L., & Flaherty, S. *Non-profit Law: Ten Issues In Search of Resolution.* (1996).Working Papers of the Johns Hopkins Comparative Non-profit Sector Project, No. 20, edited by L. Salamon & H. Anheier. Johns Hopkins Institute for Policy Studies, Baltimore.

18. What other initiative might be developed to improve reporting of improper NGO behaviour?

In the interests of accountability, an independent regulatory authority should consider implementing the sort of certification system to back up a code of good governance among NGOs and to support such governance practices as board management and oversight, formal staff policies, and effective financial management. Lloyd makes the additional point that sufficient accountability will not result solely from improving reporting requirements and compliance with laws and regulations. He argues for greater emphasis on downward accountability, including the right of NGO beneficiaries to hold NGOs accountable for compliance with a code of conduct (Lloyd 2005).

Reference: Lloyd, R. (2005). *The Role of NGO Self-Regulation in Increasing Stakeholder Accountability.* (Paper submitted to the journal Accounting, Auditing and Accountability, One World Trust, London.

Tasks for an Independent Regulatory Authority.

- Lloyd makes the point that several governments have found that they cannot adequately regulate NGOs, which is fuelling the worldwide rise in NGO self-regulation (Lloyd 2005).

The independent authority's tasks might include the following:

- Monitor compliance with legislative requirements
- Help all NGOs supply statutory and general information about their organisations by means of a standard information form, submitted annually
- Serve as a common repository for NGO information, such as financial statements, narrative reports, and information supplied via a standard information form, and make such information available to the public electronically
- Provide information and guidance on aspects of governance, and allow NGOs to seek voluntary accreditation that would certify their adherence to sound governance principles
- Provide information on registration and reporting requirements and procedures
- Act as an independent ombudsman for the sector, able to hear and handle complaints and, if necessary, recommend deregistration or other appropriate measures to the appropriate regulatory authority or the courts.

Agency-NGO Interaction

3.1 Funding Agreements

19. Should a framework be developed for classifying the type of funding agreement necessary for the service being delivered?

Currently there is little distinction made between large, medium and small NGOs neither in terms of reporting and accountability mechanisms nor in terms of their role and function in society. In addition there is currently no clear way to determine what should be delivered via a contracted service and what should be provided through a grant process. A framework that clearly articulates the aims and objectives of the NFP sector in Australia and which details its roles and functions and the mechanisms through which it is best supported is needed to clarify which services and activities are best delivered and provided through which channels.

NFPs not only provide services to specific groups of people but importantly they provide opportunity for community members to engage and participate in the life of their communities. This function of NFPs must be incorporated into any classification framework as a key context for the service or activity. As participation from service users in service design and delivery becomes more accepted practice across the range of NFP activity, the very act of being engaged in a service becomes a key outcome for those individuals involved. Consumer run services are an important inclusion in any classification system.

20. Should grants and contracts be separated and managed accordingly and, if so, how should this be done?

Contracts pertain to the funding of programs with clear service design and set parameters in terms of timeframes, service location and key performance indicators (KPIs) including target populations, staffing levels, equipment purchase and service outcomes. Contracts tend to be oversighted and reviewed by funders and an evaluation framework is usually built into the program roll out. Contracts serve the purpose of delivering those programs the government has deemed needed but which are deemed not appropriate for delivery by government providers. The Housing and Accommodation Support Initiative (HASI) is a good example of a service provided by contract as it is not preferred that public mental health services provide housing support in the current environment.

Grants on the other hand are historically less prescriptive in terms of the service design and have less targeted KPIs. Broadly speaking there are two kinds of grants. On the one hand grants are given as one-offs for specific activity or enhancements and on the other for the provision of services that have broad parameters with less accountability in terms of specific outcomes. Historically this has allowed organisations to use the funds more flexibly to respond to community need.

There is a place for both contracts and grants in the service mix. Defining when a contract or a grant is appropriate is important. Both require clear reporting mechanisms and evaluation. Grants and programs can both be evaluated and funding for evaluation should be built into the budgets of both.

In terms of grant and contract management it is preferable they are managed separately as in their true form they perform very different functions in our communities. Contracts are mechanisms through which government departments fulfil service obligations to the community. They are

programs which are prescriptive and designed by government. They allow government to alter or change direction when outcomes are not achieved or priorities change.

Alternatively grants are mechanisms through which the community can express its view of what is needed to support its members. Communities can lobby Ministers for funds to provide services they feel are lacking in their communities. Grants allow innovative community identified ideas to be trialled.

Grants may become contracted programs over time where the innovation develops an evidence base that is transferrable across service settings. Grants are ideally about Ministerial intervention in the activities of government departments allowing community participation in community development. In this sense they perform a necessary function and one that must be supported. Contract and grant management should have some relationship to prevent the right hand not knowing what the left is doing but the process of allocation and evaluation should remain with the Minister concerned.

21. In what context should government provide grants to NGOs

Grants should be provided for innovation, service gaps and service enhancements. Grants should be awarded by the relevant Minister in consultation with their departments to organisations who articulate the needs of their communities and can demonstrate the capacity to meet funding and performance obligations. Grants should be for innovative service models that meet specific population needs not currently or adequately addressed through other arrangements or programs. Grants which demonstrate positive outcomes for service users should be considered for transfer to program contract arrangements. Grants should also be available for service quality improvements including for example: facility renovation, data management systems, training scholarships, research and evaluation.

22. How can service delivery outcomes be better specified?

There is a focus on inputs and outputs in current funding arrangements which do little to demonstrate how someone's life has improved as a result of their involvement in a specific service or activity. Different service sectors will have different ways to demonstrate outcomes from service delivery. In the mental health sector there are a range of outcome measures and quality of life scales that can be applied as part of funding and performance agreements. In addition there are tools which demonstrate client goal achievement and articulate measurable service impacts such as employment, family reengagement and tenancy maintenance.

23. In what context should "bundling" of funds occur?

This is an important opportunity for government to reduce the reporting burden for NGOs. Within all NGO contracts and grants there are many similarities in the information that is requested. Where a NGO has more than one contract with a department there is opportunity to provide schedules for the different services with the duplicate information only being required once. Ideally there should be one contract across all human service agencies with specific schedules at the service program level only.

3.2 Value for Money

24. How can human services agencies better use markets to determine price and value?

Simply selecting tenderers based on price or establishing ultra-competitive markets through for-profit competition would be counterproductive in the NGO sector, where more than 95% of services are provided by not-for-profits who are motivated to ensure quality as well as efficiency.

The current use of short-term grant funding (i.e. 3 years and less) has been a blunt instrument in determining accountability for programmatic value for money. Substantial funds are wasted by the constant creation and decommissioning of service infrastructure as NGOs win and lose grants for their regions and areas of speciality.

If there were quality systems of accreditation then more stability and value for money could be achieved through a combination of subsidy and grant systems. This would allow government the ability to choose organisations with the appropriate values-set and history of quality service provision, price services appropriately, and supply core grant funding capacity to NGOs so they are able to operate with some level of stability (as NGOs tend to work with less liquidity than for-profits).

A subsidy component (e.g. through a personally-controlled budget) would allow consumers and carers a greater degree of quality and service satisfaction to be assessed for themselves. This also brings the advantage of consumers and carers acting as en-masse independent evaluators of services.

25. What reform is necessary to develop in-house agency capacity to determine the price of services?

Service providers are best placed to inform on the actual cost of services. Departmental staff should develop a framework which allows a pricing structure to be identified through consultation with providers.

The Mental Health Clinical Care and Prevention Framework (MHCCP) is a framework developed by the NSW Mental Health branch that determines the number of staff hours required for specific activity to support a person with mild, moderate or severe mental illness. This tool allows an estimate of the cost of providing any given service in a population of 100,000. MHCC is currently working on applying the principles of MHCCP to the mental health NGO sector against a taxonomy of service types eg. accommodation and outreach, families and carers, education and employment, leisure and recreation etc.

26. How can direct negotiations with NGOs be managed to determine a price that reflects the actual cost of delivery?

This is a benchmarking activity which should take demographic and geographic differences into consideration. A basis for which pricing can be determined is to assess what work needs doing by whom and for how long. This estimate can be determined by negotiation with a group of experienced practitioners working in any given service delivery setting.

27. What other steps can be taken to ensure value for money in the provision of services?

Higher quality data collection, which would address individual service outcomes rather than simply occasions of service. This would require more realistic funding of NGO sector data capacity infrastructure but would establish a much clearer picture of the real value and outcomes of NGO services that are being provided.

3.3 Irregular Allocation of Funding

28. What can be done to minimise corruption risks associated with irregular allocation of funding?

We propose the use of Red Flag / trigger warning signals. One of the keys to success in minimising corruption is the possibility to spot anomalies by the use of 'red flags', which can be defined as *"situations or occurrences within a programme or an activity that indicate susceptibility to corruption".* Examples of red flags are:

- Poor records or documentation - incorrect, misleading information;
- Unexplained alterations in financial statements, missing or out-of-sequence documents and unnecessary duplication or loss of records, etc.
- Management's lack of awareness of laws and regulations;
- Management's or employees' lack of co-operation;
- Lack of separation of duties of managing funds;
- Inadequate expertise or organisation (in planning, administration, staff
- lists);
- Unusually voluminous and complex transactions;
- Inadequate internal and external audits.

Publicise a system of penalties for non-compliance, both for staff and other stakeholders such as administrators, suppliers and contractors.

Regulation, management and ownership: the 'virtuous triangle'. Three major strategic axes for improving transparency and accountability in the management of the NGO sector are the creation and maintenance of transparent regulatory systems, the strengthening of management capacities for greater accountability, and encouraging enhanced ownership of the management process:

- The creation and maintenance of regulatory systems involves adapting existing legal frameworks so that they focus more on corruption concerns rewards and/or penalties), designing clear norms and criteria for procedures (with regard to fund allocation or procurement, for instance), developing codes of practice for the sector, and define well-targeted measures, particularly for fund allocation;
- The strengthening of management capacities to ensure the enforcement of these regulatory systems. This involves increasing institutional capacity in various areas, particularly information systems, setting up effective control mechanisms against fraud and promoting ethical behaviour; and
- Encouraging enhanced ownership of the management process. This involves developing decentralized and participatory mechanisms.

Reference: Hallak, J. & Poisson, M.(2007). *Corrupt schools, corrupt universities: What can be done?* International Institute for Educational Planning and UNESCO.

3. ***What changes to the budget processes of human services agencies are required to reduce the practise of end-of-year distribution of surplus funds?***

End of year surplus distribution can provide opportunity for enhancements to community programs and are welcomed by organisations. However, distribution of surplus funds is frequently done with hast and without clear criteria for allocation. It is better to develop criteria for distribution of these funds than to mandate rigid spending within programs as this may lead to poorly targeted spending in the interests of compliance only. One option is to determine a priority quality improvement area for the year such as accreditation status, data collection and reporting, building maintenance and

décor or training and education. An EOI process could then be initiated for distribution of surplus funds.

3.4 Oversight of Services (Tina)

30. How are the conflicting duties and community relationships best managed to ensure impartial and effective oversight of NGO funding?

It is preferable that work duties are clearly articulated through inter-related codes of conduct (e.g. NSW Health 'CORE' values of collaboration, openness, respect and empowerment) and job descriptions etc. so that conflicting duties are avoided wherever possible. However, conflict of interest (COI) is not always avoidable and so where this may exist there needs to be a clearly stated standard for workplace policy, procedure and practice to identify, respond to and management potential, real and/or perceived COI. This needs to be inclusive of disciplinary actions and/or other penalties for not doing so.

31. What changes, within and across government agencies, can be made near the point of service delivery to minimise conflicts of duty and partial behaviour?

A concern is that the ICAC Discussion Paper seemingly places the onus of COI and related potentially corrupt behaviour at the individual worker level (i.e., referred to as 'biased staff'?). Good management and governance would suggest that this is rarely the case, and that the onus might be better placed at the systems/organisational level.

This theme is further elaborated upon next in considering 'Funding Coordination' within the broader operating environment.

The tension that is stated to exist between 'the interests of the NGO' and 'the interests of the funder' could be resolved if service funding, evaluation/performance management, planning and implementation were all driven by the agreed interests of service users, their families and friends, and the communities in which they live. This essentially represents a paradigm shift from a 'top down' to a 'bottom' up approach to human services delivery, something that governments in Australia currently don't do particularly well.

Broader Operating Environment

4.1 Funding Coordination

32. What matters should be coordinated centrally?

MHCC's 2010 Sector Mapping Project report identified 26 funding sources for NSW community managed mental health services, including:

- NSW government 44%
- Federal government 22%
- Private donation 15%
- Other 12%
- Other government 7%.

Reference: Mental Health Coordinating Council (2010). 'The NSW Community Managed Mental Health Sector Mapping Report 2010', Sydney: MHCC. http://www.mhcc.org.au/documents/Sector%20Development/MHCC%20Sector%20Mapping%20Report%202010.pdf

This response speaks primarily to organisations receiving NSW government funding, however, it is noted that many of the larger community organisations providing mental health services also receive Commonwealth funding (e.g., PHAMS, Day to Day Living, the Family and Carer Support Program and soon to be initiated Partners in Recovery program; the latter being an innovative and new type of program that is 'service coordination specific and aligned to the emerging roles of the new Medicare Locals that are arising through National Health and Hospitals Reform/NHHR). In additional, many large organisations are providing services nationally and so also and receive funding from States other than NSW (e.g., Richmond PRA, NEAMI, Aftercare, Mission Australia, etc.). It is important that mechanisms for cross jurisdictional funding coordination be considered but this appears to be beyond the scope of the current ICAC review.

Funding and evaluation (i.e., performance monitoring) of services should be coordinated centrally. Distancing service funding and evaluation/performance management activity/s from the planning and implementation of services

A key concern for our member organisations relates to tensions that arise from funder/provider structural conflict of interest (i.e., where services may be LHD funded but also have a collaborative service delivery arrangement with a LHD). In the ICAC Discussion Paper this tension is described as dual relationship conflict of interest for funding and performance management liaison roles that may exist at the local level. While this experience may also be true we believe that the more pronounced tension relates to the structural issues that exist.

This tension if further exacerbated where an LHD is struggling to meet a communities acute mental health needs. This experience can result in skewed perceptions during evaluation/performance monitoring resulting from a lack of independence and objectivity.

33. What matters should be coordinated near the point of service delivery?

While service funding and evaluation/performance management should occur centrally, service planning and implementation should be coordinated locally (i.e., near the point of service delivery). This is because service users, their families and friends, and local service providers usually knows

what works best. The planning and implementation of a service or program should occur innovatively and in response to identified unmet need and this best occurs at the local level.

The 'local level' could be a LHD, Medicare Local, local government area (LGA) or subregional area (SRA) depending on the size and population of the of the geographic area and in consideration of existing health and community service and other infrastructure, including the availability of workforce and skills. That is, the 'local' level might look quite different for, for example, a metropolitan and a rural area.

To further illustrate the above, the Victorian Government recently released a Consultation Paper for discussion that outlines a reform framework for the state funded Psychiatric Rehabilitation and Support Services (PDRSS, i.e. community sector mental health services) in Victoria which can be found here: Mental Health Reform in Victoria. Despite the name, this is actually a paper that speaks to what the structural changes are that may need to be made to better coordinate care, including consideration of what functions should be centralised and localised, to achieve the aspirations of NHHR and mental health policy directions. A briefing note on this direction developed by MHCC is provided as Attachment 2.

34. How is coordination near the point of delivery best achieved?

Coordination near the point of entry is best achieved by ensuring good feedback loops between centrally located and independent service funding and evaluation/performance monitoring activity/s and local level service planning and implementation activity.

While this submission has proposed that local funding coordination should occur centrally – possibly through the establishment of an independent regulatory body – it has also noted that the capacity of local services to contribute to funding decisions to ensure innovation and responsiveness in response to unmet consumer, carer and community need is not lost as this is where the value and strengths of the community sector lie. The management of any potential corruption risk in NSW needs to be balanced against a regulatory system that recognises the core contributions of a flexible community sector, and not just engage with large organisations delivering defined programs.

An additional strength of an independent regulator is that it could over-arch current cross government silos of NGO funding, especially that which exists between NSW Health (e.g., funder of physical health, mental health and substance misuse services) and the Department of Human Services (e.g., funder of housing, disability, family and community, and aboriginal services). This fundamental structural siloing has been a significant barrier to pursuing 'place based' approaches that are responsive to community needs.

4.2 NGO Governance Capabilities

35. Should human services agencies specify minimum standards of administrative practice and/or governance arrangements prior to providing funding to NGOs? If so, what should these be?

Allocation of grants should be based on confidence that the recipient organisation can manage the funds appropriately; has sound financial accountability practices and is able to meet reporting obligations. Human Service agencies have responsibility to ensure funds are distributed only to those organisations that can demonstrate capacity to meet specific administrative requirements. Clear articulation and assessment of administrative requirements has varied across program areas. Human Service departments have not always implemented robust systems of administrative accountability with the effect of allowing grant funds to be applied as deemed optimal by the fund recipient without reference to a clear and comprehensive reporting framework. Where

organisations have been contracted to deliver targeted partnership programs such as HASI in the mental health area, accountability and reporting requirements have been rigorously structured and communicated to contract holders. This clarity of expectation has resulted in strong collaborative relationships developing between funder and provider.

Service review and accreditation are one of the main mechanisms organisations use to demonstrate compliance with minimum standards of administration and governance. Organisations unable to demonstrate sound practices through these mechanisms due to their size or immaturity cannot be exempt from a formal process of organisational assessment. Non-compliance is more likely a result of poor understanding or expertise than corruption.

Human Service agencies must work with accreditation bodies such as ACHS and QMS to ensure proper assessments are carried out. MHDAO has an agreement in place with QMS to support NGOs to meet quality review. Different indicator requirements have been designated depending on the size and complexity of the organisations with a reduced compliance burden for small single function organisations.

Investment by Human Service agencies is necessary to ensure funded organisations and those applying for funding have opportunity to meet minimum administration standards where the service delivery is identified as of value to the community. It is appropriate that government fund this support which could be done in partnership with the relevant peak body and may result in small CMOs being partnered with larger more robust organisations capable of managing the administrative compliance issues for smaller organisations that are assessed as fitting well in terms of similar mission.

36. Where weak administrative capability is identified, should NGOs be required to outsource their administrative functions to larger, more capable NGOs, or to shared services provided by government?

Where weak administrative capacity is identified action to correct the situation must be undertaken and not left to further degenerate to a point where organisations find themselves under investigation. It is important that 'red flag' situations are addressed as soon as possible. There will undoubtedly be sensitivity in many situations where investigation is required and Human Services agencies should consider the role of peak bodies in negotiations between NGOs and government around the optimal course of action in any given situation. There will be no 'one size fits all' to negotiating outcomes. Some organisations will prefer an educative process to increase their capacity to meet their obligations and others will be ready to explore partnering with more substantial organisations to relieve them of administrative burden so they can focus on service delivery.

Developing a support mechanism that partners quality review and accreditation providers, peak bodies and human services agencies in addressing administrative compliance issues in NGOs should be considered as part of this review. Many peak bodies already undertake a training and improved practice role in respect of their memberships.

37. Would consolidation across NGOs improve management and governance standards?

Consolidation may be the best solution in relation to some specific services where a degree of service duplication or service complementarity exists within a region. In the mental health area a number of amalgamations have occurred in the last decade. In 2007 in the Northern Rivers Area five small to medium mental health organisations successfully amalgamated to become On Track Community Programs and in June this year two large NGOs Psychiatric Rehabilitation Services and Richmond Fellowship NSW amalgamated. In between there have been other amalgamations, most often a larger entity incorporating a smaller one who willingly gave over the administrative burden.

However, it is important to remember that the small organisations are often those that bring innovation to the sector as they form to fill a gap or inadequacy in the service system. Larger organisations are willing to support the administrative requirements of these fledgling entities because they see enhancement to their own organisation by the incorporation or amalgamation. It is very much a two-way street but one that cannot be forced. Many small organisations are made up of determined individuals who have had life experience that makes them passionate to contribute their learning to others and this experience is key to positive direction in service reform.

In the drive to simplify the NGO sector, reform processes must be mindful of the role NGOs play in society; to fully appreciate the reason they exist within democracies and ensure their value is not lost in the desire to streamline and risk manage occasional poor practice.

Attachment 2

Briefing Note on the PDRSS Reform Strategy, Victoria
July 2012

Purpose

The Victorian Government has recently released a Consultation Paper for discussion that outlines a reform framework for the state funded Psychiatric Rehabilitation and Support Services (PDRSS) in Victoria which can be found here: Mental Health Reform in Victoria. This briefing note aims to provide an overview of the proposal, outline the main issues associated with the reform agenda and highlight areas that will require further discussion and investigation in the NSW context.

Overview of the PDRSS Reform Paper

- The consultation paper proposes both a vision and a strategic framework for the reform. Priority areas of interest include building clients' resilience and self-management capacity, person-centred services, and improved support for social and economic participation to better support people in their recovery journey.
- While the consultation paper is labelled a PDRSS Reform Strategy, it has much greater ramifications for service coordination. Specifically, the proposal promotes service configurations which will provide greater opportunity for coordination between CMO, public and private providers and Medicare Locals.
- The reform will also prepare the CMO sector to respond effectively to the dynamic environment in the human services sector, such as the introduction of the NDIS (shift to client directed funding; activity based funding).
- The proposed reform will use an area-based model to improve service quality, effectiveness and efficiency and to facilitate improvements in long term planning and investment.
- The reform aims: to improve equity of access across the state; improve consistency of eligibility criteria and throughput; deliver flexible person-centred support; provide a sharper focus on achieving outcomes; and achieve improved 'joined-up' support and coordinated service delivery.
- Ten features of a reformed system have been identified as:
    - Improved access and a focus on those most in need of psychosocial support services
    - Person and family centred culture
    - Individualised support with a focus on improving health, social and economic participation
    - Responsive to diversity
    - Responsive and accountable to local needs
    - Integrated part of the specialist mental health system and well-coordinated with broader health and social services in the community
    - Evidence-based practice and decision making
    - Competent and engaged workforce with the capacity to meet individual needs
    - Sustainability through efficiency and effectiveness
    - Ongoing funding based on performance
    - Continuous improvement, innovation, outcome measurement and evaluation
- The reform has a staged change framework and comprises three interdependent areas that provide building blocks for the reform including: building organisational and system capability; remodelling programs and funding streams; and streamlining service system configuration.
- The proposed stratification of services positions service coordination, area-based planning, intake and assessment functions at a regional area/Local Health District level. Care coordination, including care planning and review, is positioned at a Local Government Area level.
- We note that the needs of population groups including Aboriginal people, refugees, people from CALD backgrounds, gay, lesbian, bisexual, transgender and intersex people and people who are homeless will be identified through area-based service planning, and work will be undertaken to strengthen capacity to respond more effectively to diversity.

- Other areas will be given priority attention including ongoing workforce development, and strengthened accountability through improved governance structures, client information management systems and reporting frameworks that focus on achieving client (health, social, economic) outcomes.
- It is suggested to change the name of the state funded community-managed services to 'community mental health support' (CMHSS).
- The paper provides no definitions and it appears to contain different interpretations of 'recovery' and 'self-management' throughout.
- The closing date for written submissions to comment on this paper was 22 June 2012. The Victorian Government will now finalise the reform framework and develop a plan for implementation. The implementation process will be staged, and conducted in partnership with key stakeholders.

Key areas that require attention in a NSW context

- CMOs as core services - It is acknowledged in the consultation paper that CMOs must form an integral part of the service continuum, but it is also asserted a number of times that CMOs must complement clinical treatment and have stronger alignment with specialist clinical mental health services. CMOs must be positioned as not just complementary services but core services themselves. CMOs are well placed to provide all non-acute services.
- Whole of system coordination - *how* PDRS services will coordinate across sectors, levels of care and areas outside of mental health including physical health, disability and drug and alcohol services or with area mental health services (AMHS), Primary Care Partnerships, health planning areas and Medicare Locals (MLs) is not clear. While the structural changes proposed in this reform agenda will provide improved opportunities for coordinating care, changes must occur at the organisational and workforce levels for it to be successful.
- The 'Community Mental Health Planning and Service Coordination Initiative' in Victoria includes 31 projects, one in each Department of Health region, and has a systems development focus. A range of organisations have been engaged to establish cross-sector mental health planning and coordination partnerships to improve the mental health outcomes for local populations. This initiative is distinct from the 'Victorian Care Coordination for People with Severe Mental Illness and Multiple Needs Initiative', which has a care coordination focus and will inform future directions for a care coordination service model on completion in 2013. It would be beneficial for both care and service coordination trials to commence in NSW as well.
- Service coordination as a practice skill - Although workforce development is identified as a key enabler in this process, and a competency framework is being developed, the skills involved in providing continuity of care, multidisciplinary practice and supporting self-directed care is not mentioned (see MHCC Paper on 'Workforce Competencies: Providing Continuity of Care and Supporting Self-directed Care'). The paper mentions that the Victorian Government, in consultation with key stakeholders, is developing a workforce development framework for the specialist mental health workforce (p. 45) however no information on this framework is available as yet.
- A continuous care model - The importance of standardising and improving 'throughput' is emphasised, and the adoption of non-discretionary assessment tools to exit clients from services is proposed. However, a throughput model is in tension with a continuous care model, which encourages long-term support to assist people in maintaining wellness. The WHO recommendations that health care systems adopt a continuous care model.
- Stepped care - How the PDRSS services, categorised as 'tertiary level services', will link in with other levels of care to support a continuum of care for people – particularly those transitioning between acute and subacute experiences of mental distress – is not discussed.
- Early intervention - Early intervention is mentioned once in the paper. It is identified as a priority, but there is no clarity around how this is incorporated into the strategy, and how this is consistent with a strict intake and throughput model. It is particularly critical that services are easily accessible for people who have been identified as meeting the criteria for a severe mental illness despite their current presentation (which may be less severe).

- Peer support - The paper states that further analysis is required to assess the value of peer support in a system of mental healthcare. This lack of commitment to a peer support function is concerning given how clear consumers have been about the importance of peer support to their recovery journey. A priority role must be given to a peer support and advocacy function, particularly in a market based service system.
- Self-management support – The paper commits to a short-term self-management/self-help function. There are no additional details provided around what 'short-term' refers to, or how this function will operate. The concept of self-management should undergo further investigation in NSW, in consultation with consumers and carers, to determine what the purpose of this function should be and whether it is appropriate for it to be time limited, or a practice skill used by all workers in all possible instances of service provision.
- One-size-fits-all - With standardised intake, assessment and throughput procedures, services with the critical mass to package services for consumers and streamlined referral pathways, it seems possible that a 'one size fits all' approach could result. Implementation of these different elements needs to ensure enough flexibility to respond effectively to individual needs at various points in time.
- Market model - The reform proposes a shift towards a market-based framework (fee for service, consumer held funding). Aside from a discussion around whether this is the most appropriate framework for human services, further investigation is required into the role of government in regulating the market, and what safeguards must be put in place.
- Quality performance standards and outcome measures - It is suggested that PDRSS use the same outcome measurement tools as the specialist clinical mental health services. While it is positive that the focus will be on outcomes rather than outputs, this would clearly be problematic given the different goals and outcomes intended both between and within different psychosocial and clinical services. It is imperative that new KPIs and outcome measures be developed in collaboration with CMOs, consumers and carers to ensure they are actually measuring intended outcomes agreed on by all involved, which may mean different measures used by different service types.
- Infrastructure - The consultation paper mentions that service providers "will be supported to systematically use a consistent set of outcome measurement tools" but there is no specific information around *how* services will be supported, or what the strategy involves for developing appropriate infrastructure (i.e. IT systems for data collection). MHCC has undertaken consultation and analysis of sector infrastructure and maturity in NSW (see MHCC Data Management Strategy Project) and a proposal for infrastructure grants has been submitted to NSW Health. This work is subsequently informing the development of a National Minimum Data Set and a community sector Mental Health Service Taxonomy. It is advised that MHCC and NSW Health continue to collaborate and progress this crucial component of the service system.
- Service system configuration –the reform agenda includes the need to configure an appropriate number and type of services in each catchment area which may involve reductions in the number of providers of PDRSS in some areas; however there is no information provided on how an optimal mix of core services will be determined per catchment area (*severe* population health model). The Policy and Planning Department of the Victorian Government has advised that a part of the next phase in developing this plan will be to conduct demand modelling for Victoria.
- MHCC has commenced a Sector Benchmarking Project for NSW Health which aims to develop benchmarks for service planning and delivery, identify gaps and make recommendations on graded sector development. A comprehensive analysis of the CMO sector and related data has recently concluded, and consultations will commence shortly concerning the establishment of CMO benchmarks. This project is informing the development of a National Mental Health Performance Framework (NMHPF) which aims to develop a population based planning model of service delivery including service taxonomies, clinical standards, care packages, and cost benchmarking that is flexible and able to align to differing jurisdictional contexts.
- Stratification of services/functions – The document outlines how services will be stratified at state-wide, regional and local areas. This will need to be reconsidered in a NSW context,

especially as an intake/assessment function that would not be effective at a regional level in NSW given geographic differences. In particular, the rural areas of NSW are vaster, and populations are spread over greater areas than in Victoria which would make regional level planning complex.

- Role delineation – While the stratification of services at specific levels has been outlined, there is no discussion around roles and responsibilities in service delivery, which is particularly important given the question posed as to whether delivery of state funded PDRSS services should be opened to broader health and human services providers. Additional delineation of roles and responsibilities is required to guide what services will be provided at what level *by whom*.
- Single point of entry: In relation to the proposal for a regional level 'triage' function, is the need for investigation into the compatibility, or not, of a single point of entry and a 'no wrong door' approach.
- Governance - It has been proposed that a brokerage governance model be used in Victoria where a larger PDRS service undertakes a coordination role. It is also stated that the Department of Health will work with PDRSS to strengthen organisational governance following the reconfiguration of service delivery arrangements. It is recommended that investigation commence in NSW on the most appropriate governance model(s), and that organisational governance arrangements be developed alongside systemic structural change rather than following it.
- Funding models – need to take into account the need for flexibility in service provision, and State direction towards NGO Grants for service.