

PARTNERSHIP FORUM

FACT SHEET

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

REFORM IMPLEMENTATION AND COMPONENT II

As part of the 2011-12 State Budget, additional funding of \$600 million over four years was allocated to support a sustainable not-for-profit sector and ensure that the government pays a fair and appropriate price for services it purchases from the not-for-profit sector. From 1 July 2011, a 15% across-the-board price adjustment was applied to all eligible not-for-profit community service contracts (Component I). A second funding injection of approximately \$117 million, equivalent to an average increase of 10% across eligible contracts (Component II) will be rolled out from 1 July 2013 over a two-year period. This funding will be made available as not-for-profit community service contracts are reviewed and linked to the key contracting reforms contained in the *Delivering Community Services in Partnership Policy*.

- The approach to Component II funding and the link to key contracting reforms is aimed at:
 - Enabling a fair and appropriate price is paid for services provided by the not-for-profit community sector;
 - Addressing further funding pressures not addressed in some contracts by the upfront 15% adjustment, including historical funding inequities in the level of funding provided by different services;
 - Supporting the implementation of contracting reforms under the *Delivering Community Services in Partnership Policy*, including addressing issues for regional and remote service providers;
 - Ensuring contracts focus on outcomes, rather than prescribed inputs, to better meet the needs of clients; and
 - Providing more flexibility for innovation in the not-for-profit community sector.
- Component II funding is not intended to increase service provision or meet unmet demand.
- The timing and process of contract reviews will vary between Government agencies and individual contracts. Contract reviews will in most cases, cover issues around pricing service design and quality and reducing the administrative burden.

- The Partnership Forum has recommended a process that requires government agencies to engage with the not-for-profit community sector, to review contracts and progress toward reforms through the *Delivering Community Services in Partnership* Policy. However, it does not prescribe what form contract reviews should take, nor what pace of reform is required. This recognises the different relationships and maturity of existing contracting arrangements across government agencies and the not-for-profit community sector.

Government agency submissions to access Component II funding will cover the following two broad criteria:

1. READINESS

- Agency Implementation Plans will form the basis for demonstrating progress towards and readiness for implementing the *Delivering Community Services in Partnership* Policy. These plans are expected to be developed by government agencies in partnership with the not-for-profit community sector and are subject to independent review. Each plan is expected to:
 - demonstrate how the services purchased by government agencies are aligned with Government direction and address areas of community need;
 - outline a government agency's approach for reviewing its existing contract arrangements to ensure they align with the 'partnership principles' and the requirements of the *Delivering Community Services in Partnership* Policy;
 - summarise government agency's progress towards, and plans for, implementing the *Delivering Community Services in Partnership* Policy and associated contracting reforms; and
 - consider the readiness of relevant not-for-profit organisations to respond to the changing contracting environment.
- Agency Implementation Plans will be subject to an independent review process being coordinated by the Department of Finance. The reviews will be conducted by a panel of experts nominated by the Partnership Forum.
- For more information on the Independent Review Process or for assistance developing Agency implementation Plans, please contact the Department of Finance's Funding and Contracting Services on (08) 6551 1515.

2. FINANCIAL IMPLICATIONS

- This criterion will cover the financial implications of contract reviews and the roll-out of contracting reforms. In submitting a request for Component II funding, government agencies will be requested to:
 - estimate the financial impact of contract reviews based on market testing, options analysis, and in the context of the total funding available under Component II;
 - demonstrate that the proposed allocation provides value for money; and

- summarise where Component II funding will be targeted and its estimated impacts, with reference to Government's strategic priorities and engagement with the not-for-profit sector.

PROCESS

- Government agencies are expected to start planning their approach to contract reviews and contracting reform immediately, in consultation with the not-for-profit community sector. Draft Agency Implementation Plans are to be developed by end-June 2012, with independent review of these plans to take place in July-August 2012.
- Government agencies will be asked to submit a request for Component II funding based on reviewed Agency Implementation Plans and estimated financial implications in September 2012. Government will then consider the submissions as part of the 2012-13 Mid-Year Review process, with Government agencies informed of Component II allocations in December 2012. Component II funding will then be released from 1 July 2013, flowing to not-for-profit organisations through revised contracts with Government agencies.
- Not-for-profit organisations will be expected to:
 - Engage with Government agencies on the development of Agency Implementation Plans; and
 - Prepare for and engage in contract reviews, including by reviewing how services are delivered and understanding the cost of service delivery. This will enable organisations to submit a sustainable service model and price as part of contract reviews.

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

Key Directions	Priority Areas
<ul style="list-style-type: none"> Improving outcomes for Western Australians through genuine partnerships between the Government, public and not-for-profit (NFP) sectors. Providing additional funding of \$600 million over four years to support a sustainable NFP sector by ensuring a fair and appropriate price is paid by Government to the sector for the services it provides. Supporting a NFP sector which is flexible and adaptive to meet the needs of the community. Building the capacity and sustainability of the NFP sector. 	<ul style="list-style-type: none"> An average 25% funding increase for human service contracts in WA paid in two stages: <ul style="list-style-type: none"> - An upfront, across the board price adjustment of 15% for eligible NFP human services contracts (Component I); and - A second funding injection equivalent to an average increase of 10% to the sector (Component II). Implementation of the <i>Delivering Community Services in Partnership</i> Policy. Continued Implementation of the <i>Non-Government Human Services Sector Indexation</i> Policy.

Component I - 15% price increase	Component II – <u>average</u> increase of 10%	<i>Delivering Community Services in Partnership</i> Policy
<ul style="list-style-type: none"> An upfront across the board price adjustment on all eligible contracts. Applicable to 991 eligible contracts across 498 NFP organisations. Not linked to increased service provision. 	<ul style="list-style-type: none"> Linked to roll out of contracting reforms outlined in the <i>Delivering Community Services in Partnership</i> Policy. Providing more flexibility for innovation in the NFP sector by moving away from prescribing inputs and focusing on financial reporting Passed on to NFP organisations through a contract review process. 	<ul style="list-style-type: none"> Focuses on the nature of the relationship between Government, public and NFP sectors. Ensures NFP sector can be more flexible and responsive in the way it provides care. Standardising contracting practices across government agencies.
Implementation	Implementation	Implementation
<ul style="list-style-type: none"> Applied to eligible contracts from 1 July 2011 through a contract variation process. Payments made in accordance with payment schedules within each eligible contract. 	<ul style="list-style-type: none"> Applying from 1 July 2013 as contracts are reviewed. Requires government agencies to engage with NFP sector. Agencies to make submissions as part of 2012-13 Mid-Year Review. Submissions must address the criteria of agency readiness (demonstrated through Agency Implementation Plans) and financial implications of contract reviews and roll-out of contracting reforms. 	<ul style="list-style-type: none"> Effective from July 2011. A Funding and Contracting Services (FaCS) Unit established within the Department of Finance to provide support, training and education for public and NFP sectors. Standardises contract templates to reduce the administrative burden.

	April to June 2012	July to September 2012	October to December 2012
Key Milestones and Deliverables for 2012	<ul style="list-style-type: none"> Agency Implementation Plans (AIPs) submitted to Department of Finance (by end of June). 	<ul style="list-style-type: none"> Independent Review process of AIPs with public and NFP Sector representation (July/August). Government agency Component II submissions (including final AIPs and financial implications) to Department of Treasury (September). 	<ul style="list-style-type: none"> 2012-13 Mid-Year Review process and Government consideration of Component II submissions (October/November). 2012-13 Mid-Year Review process with advice to government agencies and NFP sector (December).
Engagement with the Not For-Profit Sector	<ul style="list-style-type: none"> Government agency consultation with NFP sector on the contract review process and implementation of contracting reforms (January to September 2012). 	<ul style="list-style-type: none"> Government agency consultation with the NFP sector on establishment of fair and appropriate prices (April to September 2012). Nominated NFP organisations interviewed as part of 	<ul style="list-style-type: none"> Advice to NFP sector on outcomes of 2012-13 Mid-Year Review process (December).

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

		independent panel review process (July to August 2012).	
--	--	---	--

As at 5 June 2012