

**The Victorian Government Response to  
the Public Accounts and Estimates  
Committee 47th: Report to Parliament**  
*Report on the Department of Human Services—  
Service Agreements for Community,  
Health and Welfare Services*  
*(April 2002)*

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to the Public Accounts and Estimates  
Committee 47th Report to Parliament:  
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(April 2002)**

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October 2002  
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# Minister's Foreword

I welcome the comprehensive work undertaken by the Public Accounts and Estimates Committee in its Inquiry and subsequent *Report on the Department of Human Services—Service Agreements for Community, Health and Welfare Services*.

This Government Response addresses the 53 recommendations of the Report, which was tabled in Parliament in April 2002.

The Bracks Government came to office, sharing a number of the concerns that drove the Inquiry into Department of Human Services Service Agreements. The Government has addressed concerns about competitive tendering of community services. The use of market mechanisms in sensitive social policy environments has been rejected and the importance of partnerships between Government, local government, non-government organisations and community groups has been affirmed.

As part of new Government policy directions and following consultation with peak bodies and funded agencies, the Department of Human Services accepted the need for a new framework for the delivery, management, funding and monitoring of community, health and welfare services in Victoria. The Department has been implementing a program of reform throughout the Inquiry period. This will continue in close consultation with funded organisations under the Partnership Flagship Project.

Given the complexity of the Department's operating environment and the constant challenge of making best use of limited resources, not all of the Committee's recommendations can be met fully. However, we are confident that a basis for open dialogue with organisations funded by the Department of Human Services is now being rebuilt through the development of partnership agreements, the establishment of a regular partnership forum, and practical demonstrations of change in business processes.

I wish to highlight the development of a Partnership Agreement between the Department of Human Services and the health, housing and community sectors, and a Partnership Protocol between the Department and the Municipal Association of Victoria (MAV), representing local government. These processes reflect the Government's commitment to partnership with funded organisations in the human services sectors to ensure the best public policy and service outcomes for all Victorians.



The Hon John Thwaites  
Minister for Health

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# 1. Introduction

The Department of Human Services welcomes the Public Accounts and Estimates Committee (PAEC) Report on Department of Human Services—Service Agreements for Community, Health and Welfare Services (April 2002). Effective partnerships between the Department and the organisations it funds are essential to achieve the common objective of provision of high quality health, housing and community services to the people of Victoria.

The announcement of the PAEC Inquiry into Department of Human Services Service Agreements in April 2000 was a timely opportunity for the Department to reflect on systems and processes in the context of new Government policy and the concerns of peak bodies and agency representatives involved in the delivery of services. Although the Inquiry was formally established to examine the service agreement process, its terms of reference (Appendix 1) encompassed virtually every aspect of the relationship between the Department and funded organisations. The evolution of policy over the period since the announcement of the Inquiry has led to a period of continuous improvement in the way the Department manages its internal processes and relates to a diverse client and service provider constituency. The Department has recognised issues raised by funded organisations, including the impact of competitive tendering, disjointed channels of communication, and the impact of a range of business processes. A program of change has been undertaken during the Inquiry period and is continuing under the Partnership Flagship Project.

The Department of Human Services provided information to the PAEC in two stages. The first Government submission in August 2000 provided a broad overview and policy context, and described the progress of a number of reforms already undertaken in relation to the terms of reference of the Committee. The second stage submission in March 2001 outlined a range of substantive changes on how the Department intended to proceed to relate to funded agencies.

The PAEC Report on Department of Human Services—Service Agreements for Community, Health and Welfare Services (April 2002) has a broad focus on the relationship between Department of Human Services and funded organisations. Recommendations address the framework for planning, delivery, management, funding and monitoring of human services; client rights and service provider responsibilities; access to services, service gaps and emerging needs; service agreements; unit costing; pricing and funding of mandatory services; staffing and development needs of service providers; arrangements for rural and regional Victoria and local government; and the relationship between Government and non—government organisations.

Assessment of the recommendations of the PAEC has been underpinned by the following considerations:

- **Government Policy**

Department of Human Services undertakes its responsibilities and manages its relationships within the context of current Government policy. The Department has an important role in implementing *Growing Victoria Together*, a statement that expresses the Victorian Government's vision for the future and balances economic, social and environmental goals. Under the Government's output performance management framework, the Department is responsible for delivering and reporting on outputs of a specified quality, quantity and timeliness for a specific price.

- **The Diversity and Size of the Community, Health and Housing Sectors**

Strategies to address issues raised in the report need to acknowledge the diversity and size of the Department's operating environment. Department of Human Services is the largest Victorian Government agency with an output budget in excess of \$8.5 billion. The Department funds more than 2,700 organisations to provide a range of health, housing and community services, and is also a direct provider of some services such as child protection and disability services.

Human services in Victoria consist of a number of service sectors covering health, housing, community and aged care services. Within these sectors, there are organisations with differing legal status and degrees of independence as well as a range of service types and networks. The Department of Human Services is a funder of services, a service provider and a regulator of services. Commonwealth and local government also have roles in this service environment. Service providers themselves vary in size, complexity and governance arrangements, ranging from large health care providers with government appointed boards to local neighbourhood houses with community-based committees of management.

The Department's administrative framework reflects the complexity of client needs, the size of the portfolio, diversity of agencies funded and associated service systems. In funding and delivering human services, it faces significant challenges, including the increased demand for services, the increasing complexity of client need and increasing expectations from the community and service users.

The planning processes that inform the allocation of resources are critical. There are multiple levels of planning to respond effectively to the needs and expectations of Victorians.

- ***A Commitment to Partnership***

The Department is seeking to build a partnership relationship with the organisations it funds—a collaborative arrangement based on mutual respect and acknowledgement of different and complementary roles and responsibilities, aimed at achieving agreed outcomes for the Victorian community. Service agreements are one component of the overall relationship.

- ***A Program of Reform to Improve the Relationship between the Department of Human Services and Funded Organisations***

The announcement of the Inquiry in April 2000 through to the release of the Report in April 2002 spans a two-year period. Since the commencement of the new Government in October 1999, reforms have been underway aimed at improving the relationship between the Department and funded organisations to ensure the best service delivery outcomes for Victorians. A number of commitments were made to improve the relationship between the Department and the community, health and housing sectors in the first and second submissions to the Inquiry. Many of those commitments have now been implemented and a concentrated program of continuing the reform agenda is now in place. The Department is now working in close partnership with peak organisations to drive reforms and plan further steps. During this period there has been a diminished focus on the impact of competitive tendering and an increased focus on the improvements to the overall service system. A number of reviews have been undertaken in consultation with service users and service providers to develop more responsive services, such as the Homelessness Strategy, the State Disability Services Plan and the Primary Care Partnership (PCP) Strategy.

# 2. Background

## 2.1 Government Policy Context

In November 2001, the Government released *Growing Victoria Together*, a statement about its priorities for the next ten years. This statement expresses the Government's broad vision for the future and balances economic, social and environmental goals.

The Government's vision for Victoria is that by 2010 we will be a State where:

- Innovation leads to thriving industries generating high quality jobs.
- Protecting the environment for future generations is built into everything we do.
- We have caring, safe communities in which opportunities are fairly shared.
- All Victorians have access to the highest quality health and education services all through their lives.

To make this vision a reality, the Government has identified strategic issues that are important to Victorians.

These issues are:

1. Valuing and investing in lifelong education.
2. High quality, accessible health and community services.
3. Sound financial management.
4. Safe streets, homes and workplaces.
5. Growing and linking all of Victoria.
6. Promoting sustainable development.
7. More jobs and thriving, innovative industries across Victoria.
8. Building cohesive communities and reducing inequalities.
9. Protecting the environment for future generations.
10. Promoting rights and respecting diversity.
11. Government that listens and leads.

As part of its commitment to addressing these issues, the Government has developed a set of priority actions to guide work in these areas. The Department of Human Services has responsibility for a number of priority actions. Departmental planning processes occur within the context of these priority actions.

## 2.2 Profile of the Department of Human Services

The Department of Human Services was formed as a Department of State in 1996. It covers the responsibilities of the Ministers for Health, Housing and Community Services, and Senior Victorians. Its mission is to enhance and protect the health and wellbeing of all Victorians, emphasising vulnerable groups and those most in need.

The Department is the State's largest government agency and employs more than 10,000 staff directly and approximately 80,000 personnel indirectly through organisations such as hospitals, aged care facilities, ambulance services and community service agencies. In 2002–03, the Department has an output budget in excess of \$8.5 billion, which is over one-third of the Government's total expenditure on services. The Department's structure comprises eight Divisions and nine Regions.

The principal responsibilities of the Department of Human Services include:

- Providing high quality and efficient health care services through the public hospital system, community health services and ambulance services.
- Promoting positive community perceptions of ageing and positive attitudes to older people through the Office of Senior Victorians.

- Residential and rehabilitation care for older and disabled persons as well as support and assistance to enable them to continue to live at home as long as possible.
- Providing a range of accommodation and support services aimed at enhancing the quality of life of people with disabilities.
- Accommodation and assistance support for homeless people.
- Providing a wide range of health and community services for Victorian families, such as preschool, early intervention and family support services.
- Promoting and protecting the health of Victorians through emergency management, public health, preventive services, education and regulation.
- Providing a range of alcohol and drug prevention and treatment services.
- Meeting the State's statutory responsibilities for vulnerable children and young people in relation to child protection and juvenile justice.
- Providing secure, affordable and appropriate housing to low income Victorians.
- Providing government concessions to low income groups to improve the affordability of key essential services.

The Department's operating environment is one of continual change. The Departmental Plan 2002–03 notes the following key challenges arising for the Department from this environment:

- Meeting the increased demand for emergency and other services.
- Meeting the increasing complexity of client need.
- Shifting the service focus towards prevention and early intervention.
- Improving social cohesion.
- Alleviating the increased pressure on families and young people.
- Addressing the changing patterns and inequalities in health and wellbeing.
- Using the progress in technology and knowledge.
- Ensuring economic sustainability.

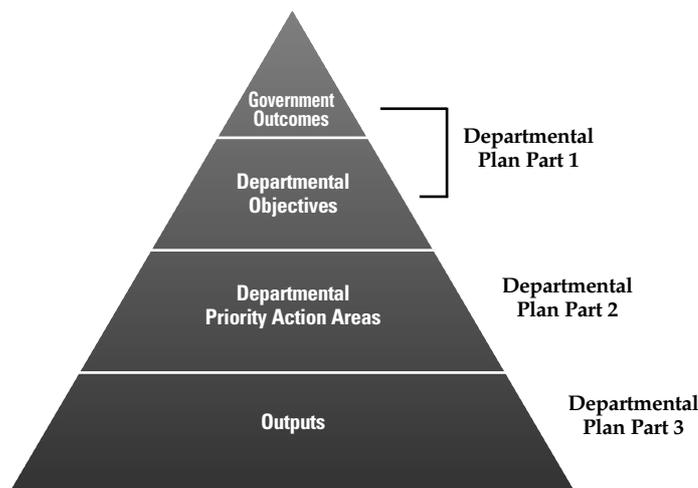
## 2.3 Service Partners

Approximately 72 per cent of the Department's budget is spent on services provided by agencies under service agreements with the Department. These include a range of non-government and government-related agencies such as:

- Public hospitals
- Metropolitan health services
- Community service organisations
- Local government
- Community health services
- Ambulance services
- Children's and family services
- Disability services.

## 2.4 Planning Framework

Planning within the Department of Human Services is based on Government policy, particularly the Government's Integrated Resource Management Framework. The strategic issues and priority actions identified in *Growing Victoria Together* form the basis of the framework used by the Department to manage the planning and delivery of human services. Figure 1 represents the hierarchy of the planning approach. The table following Figure 1 provides a definition of each of the levels of planning.



**Figure 1: Human Services' Integrated Resource Management Framework**

<p><b>Level 1: Government Outcomes</b>  <i>(Growing Victoria Together)</i>  (5–10 year outlook)</p> <p>Planning at this level expresses the Government's broad vision for the State, along with issues important to Victorians, how these will be addressed and measures of progress.</p> <p>This information is set out in <i>Growing Victoria Together</i>.</p>	<p><b>Level 2: Departmental Objectives</b>  (3–5 year outlook)</p> <p>The Department has established six operational objectives to inform decision making:</p> <ul style="list-style-type: none"> <li>• Achieving benchmark waiting times</li> <li>• Improving service quality</li> <li>• Building sustainable, well managed and efficient services</li> <li>• Building strong communities and family services</li> <li>• Increasing the proportion of family or community based services responses</li> <li>• Reducing inequalities in health and wellbeing and improving access to services</li> </ul> <p>These objectives reflect the strategic directions laid down in <i>Growing Victoria Together</i>.</p>
<p><b>Level 3: Departmental Priority Action Areas</b>  (single year outlook)</p> <p>The Department of Human Services has identified the issues and priority actions that are the primary responsibility of the Department along with those that are related to its functions. Priority Action Areas are priorities that have been identified as critical for 2002–03 operations. Priority Action Areas directly align to Departmental objectives and are used to inform resource allocation. Milestones and targets have been identified for each Priority Action Area and performance against these is reported quarterly. Thirty-eight priority action areas were outlined in the 2002–03 Departmental Plan (which can be accessed at <a href="http://www.dhs.vic.gov.au/about">www.dhs.vic.gov.au/about</a>).</p>	<p><b>Level 4: Outputs</b>  (single year outlook)</p> <p>Outputs are the products and services funded and/or delivered by the Department.</p> <p>Outputs are measured in terms of quality, timeliness/access and cost. Output performance is also reported quarterly.</p>

At each level of planning the determination of priorities is informed by:

- Evidence from practice
- Demographic trends
- Input from service users
- Input from service providers.

## 2.5 Funding Framework

Under the Government's Integrated Resource Management Framework, the Department is responsible for delivering and reporting on outputs of a specified quality, quantity and timeliness for a specific price.

The Departmental funding framework is guided by principles of accountability for public funds. A key plank of *Growing Victoria Together* is to maintain sound financial management. The tension between flexible provision of funds to enable responsive services and ensuring accountability for public funds is one that needs to be balanced.

The Department of Human Services funding framework must take into account:

- The different funding histories of various sectors and program areas.
- Varying levels of sophistication of the organisations funded.
- The nature of the Constitutional division of powers in Australia (leading to the large number of Commonwealth State Agreements).
- The requirements set by State and Commonwealth legislation.
- Overall Government planning, budgeting and reporting processes.

The criteria for determining the method of selecting providers and allocating funds is based on three elements:

- What method will achieve the optimum client outcomes
- What method will facilitate partnership
- What method is required to provide for appropriate financial accountability

There are four funding options: direct allocation, invited submission, advertised submission and (in limited circumstances) public tender.

### **Policy and Funding Plans**

Each Division in the Department of Human Services produces a Policy and Funding Plan for each financial year. The Plans support the Department's objective of being transparent, accountable and more openly communicative with its funded agencies and the community.

The Policy and Funding Plans present comprehensive information covering Government and Departmental policies, environmental context, divisional strategies, budget context, funding context, and service agreement information. The Plans aim to describe the links between policy goals, environmental influences and funding.

### **Service Agreements**

The Policy and Funding Plans are complementary documents to the service agreements that exist between the Department and each of its funded agencies. The service agreements remain the principal mechanism by which the Department formalises the details of the funding provided to agencies; that is, the magnitude of funding and the volume of service to be delivered. Full details of service agreement arrangements are available in the *Service Agreement Information Kit for Agencies* ([www.dhs.vic.gov.au/](http://www.dhs.vic.gov.au/)).

## **3. Key Reforms Since October 1999 Relevant to the Report's Recommendations**

### **3.1 Funding Policy**

In line with Government policy, the Department has implemented a new funds allocation and provider selection policy in place of the competitive tendering policy of the previous Government. Previously all new funding over \$100,000 was required to be competitively tendered; the new policy does not require such an approach. As described in 2.5 above, the criteria for determining the method of selecting providers and allocating funds is based on consideration of three elements: optimum client outcomes, facilitation of partnership and appropriate financial accountability.

There are four funding options-direct allocation, invited submission, advertised submission and (in limited circumstances) public tender.

### **3.2 Funds Allocation**

Updating of the Department's Integrated Management Cycle has been completed. Divisional Policy and Funding Plans are prepared on an annual basis and business rules on multi-region service agreements have been developed.

### **3.3 Format and Content of Service Agreements, Output Structure and Agency Information Systems**

Following significant consultation with agencies, service agreement enhancements associated with a streamlined format were fully implemented. A revised output structure was fully implemented for 2001-02.

In August 2001, the Executive approved the Funded Agency Channel (FAC) as a 'proof of concept' approach to communicating, collaborating and conducting business on-line with the funded sectors. Stage 1 of the FAC has seen the initial establishment of the Channel largely as a repository comprising relevant information for agencies and a simple discussion forum.

### **3.4 Business Process Improvements**

These involve improvements to the timeliness of service agreement information to agencies and in the conduct of negotiations, improved remittance advice, revised financial accountability requirements, including specific arrangements for small 'cash-based' agencies and online access to service agreement and payment information.

### **3.5 Development of a Partnership Framework**

The Department recognises that the non-government community sector, local government and other funded agencies are essential to the achievement of its objectives and the Government's social policy goals. The Department has sought to develop with funded agencies an agreed partnership framework, based on shared values, to guide the future relationship and to achieve the common goals of better health and welfare outcomes for clients and the wider Victorian community. This will clarify roles, improve communication and promote consistency across the State in the Department's relationships and dealings with agencies.

In 2001-02, the Department held a series of discussions on partnership issues with key peak organisations. The Funded Agency Partnership Project Working Group, comprising senior Departmental officers and representatives from peak organisations, was established to oversee the development of a partnership agreement, a regular partnership forum and an annual funded agency survey.

It is expected that the three elements of the partnership framework will be fully implemented by the end of 2002–03:

- **Partnership Agreements**

Following a series of consultations with funded agencies and within the Department, a Partnership Agreement between the Department of Human Services and funded agencies (excluding local government) is expected to be finalised by the end of 2002. The purpose of the Agreement will be to affirm the agreed expectations of the working relationship between the Department and the organisations it funds. Key areas likely to be covered in the Agreement include articulation of shared vision, values and principles; definition of the roles of each party; and identification of partnership commitments.

A parallel Partnership Protocol between the Department and the Municipal Association of Victoria (MAV), representing local government, has been developed. This protocol recognises the particular relationship between the two levels of government.

- **New Partnership Forum**

A biannual Partnership Forum for a cross-section of funded agencies and senior Departmental staff, chaired by the Secretary of the Department, has been established. The first Forum was held on 26 June 2002. This structure will provide a new opportunity to consider cross-program and whole of Department issues and provide for consultation with funded agencies on issues that affect all services.

- **Annual Survey of Funded Agencies**

The Department will systematically seek feedback from funded agencies on the progress of partnership initiatives, opportunities for improving relationships, and how it can better support funded agencies to achieve the shared mission of both parties. The first survey will be undertaken in 2002–03.

## **3.6 Departmental Values**

In 2001, the Department endorsed five key organisational values, which inform how the Department goes about doing its business and affirm the importance of a partnership approach:

- **Client Focus:** working towards improving the health and wellbeing of clients and community.
- **Professional Integrity:** treating all people with dignity and respect.
- **Quality:** always striving to do its best and improve the things it does.
- **Collaborative Relationships:** working together to achieve better results.
- **Responsibility:** commitment to actions taken to achieve the best possible outcomes for clients and community.

A program of continuing education encourages staff to incorporate these values in day-to-day practice. Senior officers are required to provide leadership in living the values and their performance is assessed accordingly.

## **3.7 Improving Service Quality**

The Quality in Services Flagship Project aims to improve the quality of services delivered and funded by the Department by developing and implementing a Department-wide Service Quality Framework. The Framework was endorsed in November 2001 and all Divisions of the Department have now developed initial Quality Plans to put the Framework into practice from 2002–03. Plans will become progressively more comprehensive over the next three years.

The Quality in Services Flagship Project has also sponsored practical projects to address high priority service quality issues. A program of seminars and training opportunities for managers and staff is underway to support the implementation of the Service Quality Framework.

### **3.8 Initiatives to Address Regional and Rural Disadvantage**

Historically, metropolitan models of service provision have been applied directly to rural and regional settings, often with limited success.

The Victorian Rural Human Services Strategy (VRHSS) has been established to address issues affecting the delivery and provision of human services to rural and regional communities throughout Victoria. Building on existing Victorian Government platforms and Departmental policies and initiatives, the VRHSS focus is on integration, flexibility, community capacity building, self-sustainability and whole-of-government approaches to service provision and delivery.

The VRHSS is being developed in two stages. The first stage is due for completion in October 2002, with the public release of a strategic policy framework and planning resource. Stage One focuses on identifying and clarifying current human services available in rural Victoria. Where any planning standards and benchmarks exist, future service demand will be projected. Stage One will also explore the development of more appropriate and innovative service models for rural settings, and develop, identify, support and promote innovative service practices. Progress to Stage Two will depend on the outcomes of recommendations arising from Stage One.

## 4. Partnership Flagship Project

At the commencement of 2001, the Departmental Executive adopted a methodical approach to issues of strategic priority. Issues of high strategic priority were designated as flagship projects. The characteristics of a flagship project are:

- Requires integrated planning throughout the Department.
- Is supported corporately to achieve the purpose.
- Is monitored on a regular basis by the Executive.

In 2002, Partnership work was designated flagship status.

The Department recognises that the partnership approach will require continuous improvement in Departmental culture and business processes. The Department and funded agencies have a common interest in redirecting resources from transaction focused activities to service delivery, service evaluation and business improvement, and reforming policy development and service planning processes to become more inclusive and effective. Consultative processes with service users and service providers are an important component of a culture of continuous improvement.

The development of a Partnership Agreement with the funded sector and a Partnership Protocol with the Municipal Association of Victoria, representing local government, signals the high priority the Department is giving to the development of an effective, sustainable partnership.

The practical changes to consultative, planning and operational processes heralded by these agreements will be implemented through the Partnership Flagship Project. Giving this work flagship status signals its high priority for a Department-wide strategic focus at Executive level.

The Partnership Flagship Project will concentrate on health, housing, community services and aged care services funded by the Department of Human Services.

It will, at a minimum:

- Finalise the Partnership Agreement.
- Design and implement the funded sector support and development framework.
- Re-engineer key business processes, including the introduction of three-year agency service agreements where suitable.
- Establish a training and development program for Department of Human Services staff.

# 5. Responses to Recommendations

## **Recommendation 3.1:**

*The Department of Human Services, in consultation with service providers and clients, develop and implement a comprehensive strategy that provides opportunities for client input into service planning, design, evaluation and delivery.*

### **Government Response**

#### **Accept.**

An overview of the Department of Human Services Planning Framework is outlined in 2.4 above. The Department actively seeks client input into service planning, design, evaluation and delivery. A variety of methods are already utilised, for example:

- There is a legislative requirement for health service boards to establish Community Advisory Councils.
- Five hundred people who use homelessness services were consulted on direction for the Victorian Homelessness Strategy.
- The Victorian State Disability Plan is underpinned by a report on the aspirations of people with a disability and research on community attitudes as well as major input from hundreds of people with a disability.
- A survey of 900 Child Protection clients and family members was completed in January 2002 and the results used to improve program design.
- The Patient Satisfaction Monitor, in its second year of operation, provides valuable input on patients' views and experiences to the Department and public hospitals.

The Quality in Services Flagship Project is driving a comprehensive approach to continuously improving the quality of services to clients and patients across the Department. The *Service Quality Framework* encourages a strong focus on 'service user responsiveness' by Department of Human Services program management and a greater application of sound methods to secure client input, where:

*'Service users, their families, carers and friends are encouraged and assisted by the Department to participate in the planning, delivery and evaluation of human services. Specific efforts will be made to secure the involvement of Koori persons and those from non-English speaking backgrounds.'*

*Service Quality Framework, Department of Human Services, February 2002, page 7.*

Department of Human Services' Divisions have developed Quality Plans that detail their approach to ensuring that client opinions and interests are paramount in service management.

Possible mechanisms include:

- Patient/client surveys
- Complaint and compliment mechanisms
- Codes, charters of service quality and/or clients rights
- Advocacy and independent scrutiny arrangements
- Participation in program planning and decision making.

## **Recommendation 3.2:**

*Department of Human Services service agreements should reflect and emphasise the importance of client service rights and include clear statements of Departmental responsibilities towards service providers and clients.*

### **Government Response**

#### **Accept.**

The Department of Human Services recognises the importance of safeguarding client rights and the need for this to be prominently acknowledged in Departmental documents and processes. As well as the recently adopted Quality Framework, the Department documents client service rights through program Policy and Funding Plans, the Public Hospital Patient Charter, Public Housing Tenants Charter and other public documents.

Service agreements will continue to be the principal mechanism for documenting the purposes for which public funds have been granted and the nature, scope and volume of services to be provided by the agency; and for regularly monitoring agency performance against the requirements outlined in the agreement. In this context, service agreements include important requirements related to client rights. They incorporate reference to documented service standards, most of which include statements of client rights. In addition, they include performance measures relating to service quality, involving a focus on client satisfaction in many cases.

Other key instruments for advancing client rights include quality improvement, legislation and mechanisms for independent scrutiny, such as community visitors for disability and mental health services. Accreditation arrangements are a key instrument in health and aged care programs, as well as service standards in community housing, disability services, juvenile justice and other programs. Critical incident and complaint mechanisms are in place across the Department.

### **Recommendation 3.3:**

*The Department of Human Services review of targets and performance measures should include developing mechanisms to determine outcomes and the quality of services provided. Attention should also be given to developing performance information that relates to qualitative evaluation, accreditation and benchmarking (particularly where there are national standards available) and other methods such as random audits to provide both financial accountability and measures of effectiveness.*

#### **Government Response**

##### **Accept.**

The Department supports the improvement in the output indicators and target setting utilised by human service programs. In particular, there is a need for continuing improvement in the areas of service quality and the outcomes experienced by clients and patients.

Each year the Department undertakes a review of performance indicators and targets as part of the annual service agreement cycle. Improvements to strengthen the focus on service quality need to occur as part of the broader effort to establish a more systematic approach to the monitoring and review of performance.

With respect to broad performance monitoring, service agreements are the key documentation. The function of the service agreement is to document agreed funding levels and outputs (services) to be delivered by agencies, with an emphasis on quantity targets. The focus on outputs is consistent with Government policy and the Department's accountability responsibilities to report on the delivery of outputs and the expenditure of public funds. Targets and measures relating to quality and client outcomes require substantive definition and operationalisation in service standards, practice documentation and data systems. This must be undertaken in consultation with the relevant service providers in each program.

Examples of work to date include an ongoing program to develop clinical indicators for acute health settings and the commitment to develop policy outcome indicators for the Victorian State Disability Plan and quality of life indicators for people with a disability. The State Disability Plan Implementation Plan 2002–2005 was released in September 2002.

The Agency Performance Monitoring and Review Framework project is currently developing an approach to monitoring service and agency quality (including governance) to complement monitoring occurring under the service agreement. The Framework is based on a risk management approach utilising various levels of monitoring (from universal desktop review to random audit) determined by identified risk.

This project is being progressed in collaboration with funded agencies participating in a range of consultation forums and working parties. The first phase of the project has achieved an agreed approach to enhancing financial accountability reporting for all community service organisations from 2002–03, including the introduction of streamlined financial reporting for small agencies with income under \$200,000. A more systematic approach to the monitoring of the financial viability of agencies is also being implemented in line with 2002–03 reporting timelines. The second phase of the project will shift the focus to establishing approaches to the monitoring and review of service quality and agency governance.

Indicators or measures of quality and governance must be based on clear understandings with service providers, preferably incorporated in service standards and accompanied by clear guidance for practice. This work is being advanced by the adoption of a Department of Human Services Service Quality Framework, development of program-based Quality Plans across the Department, and the revision of service standards in many programs. The Department has also commissioned work on 'Good Governance Practice' to inform that element of service practice.

#### **Recommendation 3.4:**

*The Department of Human Services, in consultation with service providers, develop and implement a strategy with defined timelines to:*

- (a) reduce the quantity, frequency, detail and duplication of data collected from service providers;*
- (b) improve the quality of data collected from service providers; and*
- (c) provide for the sharing and collection of appropriate data between the Department of Human Services and providers, and between providers.*

#### **Government Response**

**Accept.**

The need for data reform is recognised as a priority issue requiring attention across the Department of Human Services. Current Departmental systems, platforms and administrative approaches to determining data collection requirements, including data transmission and transfer processes, are different and vary according to programs and to activities within programs. The adverse impact of this variety on service delivery agencies can be quite significant, particularly where the agency delivers services across a number of programs.

During 2001–02, a detailed analysis of all data collections specified in service agreements was undertaken to identify target areas for reform. A profile of agencies with multiple data collection and reporting requirements was undertaken to assist targeting of the improvement effort.

The reform process involves the implementation of a coordinated approach to focus improvement efforts on reducing the burden of data collection and reporting, particularly for agencies having to report against multiple requirements.

Recent consultation with funded agency representatives supports the direction of proposed reforms.

#### **Recommendation 3.5:**

- (a) The Department of Human Services develop and provide service providers with proforma acquittal statements; and*
- (b) Service providers provide the Department of Human Services with an acquittal statement and audit certification to account for the funds received from the Department.*

### **Government Response**

#### **Accept.**

The Department has in place a pro forma for financial reporting—Schedule 5 of the service agreement—including audit certification. The Financial Accountability Reporting (FAR) requirements apply to all agencies funded \$200,000 and over. Specific requirements are in place for agencies funded under \$200,000, in particular children’s services organisations. However, the reporting is not generally an acquittal-based approach, except where there are specific Commonwealth requirements. The service agreement terms and conditions provide for the Department to request more detailed acquittal-based financial reporting from an agency where it has determined a need to do so.

As indicated in the response under recommendation 3.3, the Department is undertaking a project to establish a more systematic approach to agency performance monitoring. As part of this project, a review of the FAR has recently been completed to achieve better alignment between requirements and the accounting and audit standards applicable to community service organisations. The project has introduced a modified form of financial accountability for cash-based agencies that are not currently required to produce annual audited financial statements through other enactments (generally funded under \$200,000). Supporting the revised FAR will be the introduction of a consistent approach to financial viability monitoring across the Department.

In addition to financial reporting, agencies are required to regularly report on performance in meeting the targets of outputs each agency is funded to deliver. This provides appropriate output acquittal in line with the Government’s output performance management framework.

### **Recommendation 4.1:**

*The Department of Human Services, when developing the future policy and legislative framework for service agreements and partnerships, consider the experiences of interstate and overseas jurisdictions with the contracting and funding of human services.*

### **Government Response**

#### **Accept.**

When undertaking significant policy and legislative development, the Department routinely considers the relevant body of knowledge, including the experiences of interstate and overseas jurisdictions.

In seeking to develop a partnership framework with funded organisations, the Department particularly considered partnership processes and arrangements in the ACT, Queensland, South Australia, the United Kingdom, Canada and New Zealand.

The Department has reported that other States have often looked to Victoria’s leading experience in developing a common approach to service agreements across a wide range of service types and with a focus on outputs rather than inputs.

### **Recommendation 5.1:**

*The Department of Human Services, in consultation with service providers and clients, introduce a comprehensive service planning process that:*

- (a) actively engages both service providers and clients;*
- (b) is holistic, rather than confined to individual divisions or programs; and*
- (c) recognises and uses the strategic information generated by service providers, such as Local Government, and information gathered through Department of Human Services service agreements.*

### **Government Response**

#### ***Accept in principle.***

*Growing Victoria Together* outlines the key Government priorities for planning processes. The planning framework for the Department of Human Services is outlined in the introduction to this response (see 2.4). The Department of Human Services Departmental Plan for 2002–03 has been published at the commencement of the financial year and provides the overall context for the development of Divisional plans and identifies a range of areas where a whole of Department approach is required.

Current approaches to comprehensive service planning include the Rural Human Services Strategy, Metropolitan Health Strategy and the Victorian State Disability Plan. Primary Care Partnerships (PCPs) are a highly innovative statewide approach that provides a consistent service planning platform across a wide range of service providers on a regional and sub-regional basis.

### **Recommendation 5.2:**

*The planning process outlined in Recommendation 5.1 culminate in the development and periodic review of the State human services strategy. The strategy should, as a minimum:*

- (a) review how need for human services is defined and calculated;*
- (b) identify current and emerging needs and subsequent gaps in the service system;*
- (c) evaluate the effectiveness and appropriateness of services; and*
- (d) provide a strategic context for the activities of service providers.*

### **Government Response**

#### ***Accept in principle.***

The Planning Framework detailed in 5.1 provides an overview of the strategy for the determination of current and emerging needs for services.

Planning within this framework is supplemented by major reviews and plans in and across key sectors, but also involves flexible negotiation within a wide variety of service environments to meet emerging needs and provide balanced resource allocations. The Department recognises these processes should be as transparent as possible and publishes through annual funding and policy plans and other media as appropriate.

Concerns relating to service gaps, access and the capacity of the system to meet emerging needs are noted. While effective service planning processes are essential to optimise the impact of resource allocation they cannot address those demands identified by service providers for which resources are not available.

The Department participates in the Government program of output reviews, which provide the key means for in-depth analysis of current allocations, service gaps and evaluation of program effectiveness across all service sectors over time.

### **Recommendation 5.3:**

*As a matter of priority, the Department of Human Services move to ensure that funds in all program areas are distributed equitably according to demonstrated need and accessibility to all citizens.*

### **Government Response**

#### ***Partly accept.***

The Department of Human Services has been progressively developing and strengthening a variety of program-specific approaches to distribution of funds to address community need and improve accessibility. In developing responses to changes in community demand pressures, the Department is cognisant of the need to support viability of the existing service system.

It is noted that there are inevitable limits on equality of access due to resource limitations, requirements to ensure high quality of services, the need to prioritise and also to concentrate resources in some areas for efficiency and effectiveness. To improve transparency, the basis for distribution of funds for the various human services programs is published annually as part of Divisional Policy and Funding Plans.

For example, the Disability Services program established a regional equity funding approach in 1997–98 to redress the imbalances created by historical funding approaches and move toward a funding model more directly driven by community need. The equity formula varies by service type and is used primarily for allocation of growth funding and new initiatives. To accelerate reallocation of the historical funding base for ongoing services, such as shared supported accommodation and day programs, to areas of higher need, a weighting factor was included in the formula in 2000–01. The equity approach has been further strengthened in 2002–03 through the inclusion of a weighting for socio-economic factors.

Similarly, the Community Care program has developed a range of equity formulae for distribution across regions and/or localities. The equity formulae take account of a range of factors according to the specific program including, eligibility, demand, socio-economic factors, rurality, and the needs of particular community groups such as Indigenous people and those from culturally and linguistically diverse (CALD) communities. Distribution of funds based upon equity and/or specific needs based eligibility criterion cover protection and placement, maternal and child health, preschools and concessions programs.

To improve the equitable and sustainable distribution of funding and services in the health sector, the Department has commissioned two strategic planning initiatives. The Metropolitan Health Strategy is being developed using a system-wide health program approach, and will guide the level, mix, distribution and quality of health services across metropolitan Melbourne for the period 2002 to 2012. Similarly, the Victorian Rural Human Services Strategy is being developed, using a cross-portfolio approach, to provide a framework for the delivery of integrated and sustainable high quality human services to rural and regional Victoria from 2002 to 2007.

### **Recommendation 6.1:**

*The Department of Human Services make publicly available information on the types of contracts/service agreements and associated processes. The criteria governing the use of various contracts/service agreements should also be detailed. This information should be regularly reviewed and evaluated with input from providers.*

#### **Government Response**

**Accept.**

Shortly after the Government assumed office in 1999, the Department discontinued its use of commercial contracts to allocate new and growth funding to community services. Service agreements are now the principal tool for funding the community services sector, with occasional supplementary use of the other funding instruments outlined in the Committee's report. Some of these instruments are being considered for discontinuation in favour of the future use of service agreements. The funding arrangements for community housing described in the report are in the process of being phased out in favour of service agreements; for example, transitional housing programs are now funded via service agreements.

The Department supports the Committee's view that information on the types of contracts and service agreements used, and their associated processes, should be publicly available. The Service Agreement Information Kit has been available on the Department of Human Services Internet site for some time. It provides comprehensive information about the types of service agreements in use and the criteria governing the use of agreement types.

The Department produced an information document on commercial contracts and processes for agencies in the context of the previous government's policy of tendering for community services. This document is now

obsolete in view of government policy changes. It is being revised as part of a broader review of Departmental commercial procurement processes and documentation. Information on the Government's commercial procurement framework is available on the Victorian Government Purchasing Board's Internet site.

**Recommendation 7.1:**

*The report of the Community Care Services—Viability Methodology Study be included on the Department of Human Services' website.*

**Government Response**

*Reject.*

The Community Care Services—Viability Methodology Study is a Cabinet in Confidence document, produced in relation to the development of the 2001–02 Budget. In this context, a total of \$7.5 million was allocated in 2001–02 to improve the quality and viability of service provision to young people in residential care.

**Recommendation 7.2:**

*The Department of Human Services details to service providers:*

*(a) what its overall objectives are in funding the community, health and welfare sectors;*

*(b) its reasons for not contributing towards or funding specific activities including:*

*(i) service delivery;*

*(ii) infrastructure maintenance and development;*

*(iii) policy development;*

*(iv) community development; and*

*(c) why various funding models or approaches are used for different areas of activity.*

**Government Response**

*Partly accept.*

The Departmental Plan outlines key government objectives and priorities for the coming year. Divisional Policy and Funding Plans provide detailed information on key policy initiatives in each program, details of funding approaches and detailed descriptions of the purpose of each funded activity. The activities and services funded by the Department reflect the policy and budget priorities of the government of the day.

These documents are published electronically on the Department's Internet site and a hard copy of the relevant Policy and Funding Plan is provided as required. In addition, the service agreement details the relevant service standards and delivery guidelines that relate to the funded activities.

The Department uses a range of funding models or approaches for different areas of activity to provide for service delivery, infrastructure maintenance and development, policy development and community development. The level and targeting of funding is subject to budget priorities and government policy. The reasons for funding certain activities as priorities are explained in funding and service plans. A large number of activities undertaken in the community, health and welfare sectors are funded on the basis of unit price. Where a unit price is not available, a process of negotiation between the provider and the Department is used to set an adequate level of service delivery funding for desired outcomes.

In addition to service funding, the Department provides one-off funding in the form of minor capital payments and annual provisions grants for maintenance and improvements to infrastructure. The Department's capital program includes projects for improvements to capital infrastructure in the community, health and welfare sectors.

To support policy development and input from agencies, the Department separately funds a number of peak organisations. Funding has also been allocated to specific community development activities, such as neighbourhood house funding, neighbourhood renewal and community building initiatives in 2002–03.

### **Recommendation 7.3:**

*The Department of Human Services, in consultation with the non-government sector, develop a set of principles to underpin the Department's funding of human services.*

#### **Government Response**

*Partly accept.*

All programs within the Department of Human Services are funded according to Government policy. The Department of Human Services recognises the need to provide greater transparency on funding models; and a number of programs either have reviewed or are reviewing the basis of funding (dollars and volume). It would not be possible to have one set of principles that underpin all of Department of Human Services funding. The reasons for this include:

- The diversity in size and different cost structures of the funded agency.
- The requirement for some of the costs to be offset by fees paid by users.
- Contributions made by other fund sources, such as the Commonwealth Government.

The Department will develop sets of funding principles (where these do not currently exist) for a program or program groups, which take account of factors particular to those programs, and publish the principles in Policy and Funding Plans.

### **Recommendation 7.4:**

*In a statement of partnership, the Government acknowledge the financial contribution made by community, health and welfare organisations to human services in Victoria.*

#### **Government Response**

*Accept.*

The development of a Partnership Agreement between the Department of Human Services and the health, housing and community sectors is nearing completion, following two stages of consultation with funded organisations and Department of Human Services staff. The final agreement will acknowledge the financial contribution made by community, health and welfare organisations to human services in Victoria.

### **Recommendation 7.5:**

*The Department of Treasury and Finance, in the context of the output evaluation and price reviews of Departments, review the suitability of the output based purchasing model for funding community, health and welfare services. The review should consider, but not necessarily be limited to, the following issues:*

*(a) the components of human services that unit costing should include or exclude;*

*(b) how unit costing can be structured to:*

- accommodate clients with varying complexities of need and evolving needs over time;*
- facilitate the delivery of services in rural and regional Victoria;*
- accommodate preventative as well as 'direct' service provision;*
- preserve the plurality of non-government service providers; and*
- promote flexible and progressive service development and delivery.*

## ***Government Response***

### ***Accept in principle.***

The Victorian Government has implemented an output based funding model to help ensure that departments are held responsible for delivering outputs of a specified quality, quantity and timeliness for a specific price. This model seeks to provide a more direct link between the funding provided and the services delivered with the emphasis on the outputs required from a service rather than on the processes used to provide that service.

Government has finite resources to distribute and requires a mechanism to ensure that public monies are used as effectively, efficiently and equitably as possible. In order to assist the Expenditure Review Committee (ERC) and Portfolio Ministers in deciding how these funds are distributed, an outcome-objectives-outputs framework has been established and is applied to all government services. This framework requires Departments to present clear and measurable information on what is being delivered, what is being achieved, the processes used to achieve delivery and the relative efficiency of the services delivered.

Experience in Australia and overseas has shown that it is essential that the efficient delivery of outputs be complemented by verifying their alignment and effectiveness in achieving government outcomes-to which Victoria has also added Departmental objectives as an important intermediary.

This transparency has also been enhanced through making the scope of government service provision transparent and accessible by describing outputs and performance measures in Budget Papers.

Output Reviews are a key component of the outcomes-objectives-outputs framework, established to add breadth and depth to the normal budget and evaluation or improvement mechanisms that departments are required to undertake each year. Their primary objective is to inform Government decision making at the output and objective level. Output reviews, collaboratively undertaken by departments, Department of Treasury and Finance (DTF) and Department of Premier and Cabinet (DPC), systematically and over time, comprehensively examine Government's outputs and aim to ensure that:

- Outputs are aligned with Government outcomes and Departmental objectives.
- Outputs and the mix of services and resources are the most effective in achieving these objectives.
- Outputs are priced efficiently and are sustainable. This enables the elements of price/cost (wages, non-wages and productivity) to be examined.

The Government determines the priority of outputs for review generally on an annual basis. The approach to specific funding models for community, health and welfare services would be considered as part of the review of relevant outputs.

The output based funding model is able to accommodate the unit costing/pricing issues raised in the recommendation. A number of Department of Human Services programs already weight funding for factors such as client complexity raised above, and others are in the process of reviewing their funding to take account of these factors and provide more transparent funding models. Issues of service delivery in rural and regional Victoria, the balance of service delivery between prevention and tertiary care, and the development of new service models, can be addressed through discretionary government policy. The Department of Human Services has, for example, sought and been provided with additional funding for Placement and Support and Foster Care in the most recent budget.

### **Recommendation 7.6:**

*The financial information contained in the service agreements relating to unit costs be enhanced by including details of the formulae that the Department of Human Services uses to calculate:*

*(a) unit costs; and*

*(b) the components of service delivery.*

#### **Government Response**

*Partly accept.*

The Department agrees that the basis used to calculate a unit price should be transparent. The service agreement currently has provision for a unit price to be provided, although a large number of programs do not use this functionality due to the variability of unit prices across an activity. It may not always be possible to provide a formula, particularly where the price is complex and detailed or partly determined outside of Department of Human Services, as for Home and Community Care (HACC) services, for example. The Department is working toward including the basis of any unit prices in Department of Human Services Policy and Funding Plans.

The Department supports the provision of information on the components used to determine the unit price, but not the cost allocated for each of these components. This approach is consistent with an output based funding model.

### **Recommendation 7.7:**

*The Department of Human Services, in consultation with service providers, develop a regular unit price review procedure and mechanism.*

#### **Government Response**

*Partly accept.*

A consideration for any pricing review within the Department of Human Services is the Price Review undertaken as part of DTF's Output Review process. These reviews are managed by DTF in consultation with DPC and the Department. The aim of the price review is to establish a base price and an escalation factor for that price. This process is underpinned by the concepts of sustainability, efficiency and risks and will need to consider the cost structures and drivers applicable to the program. The Review recommendations are presented to ERC, which can accept, reject or modify the recommendation. ERC's recommendation then becomes the basis of funding provided by DTF until the next Review (3–5 years).

An annual major and detailed price review of the costs of treatment of acute care diagnostic groups is currently undertaken by the Department in order to determine the price of WIES (Weighted Inlier Equivalent Separations) that will be applied in a financial year to the funding of hospitals.

Other Department of Human Services programs do not fund providers on such a sophisticated basis and do not currently have sufficient or adequate data to review prices on a regular basis. Given the time it took to collect and analyse the data used to develop WIES as a funding tool (20 to 30 years), the Department would expect that it would be quite some time before a regular price review would provide useful and meaningful information.

As part of the Department's agreement to provide greater transparency on price, a number of programs are in the process of gradually reviewing prices, within the constraints of total program funding. The Flagship Partnership Project is exploring approaches to price adjustments for funded services based on the price adjustments provided by DTF.

### **Recommendation 8.1:**

*(a) The Department of Human Services, in consultation with service providers, conduct a review of statutory services delivered by non-government organisations to determine:*

- (i) current and future demand;*
- (ii) the effectiveness, adequacy and value for money of current statutory service models;*
- (iii) duty of care issues; and*
- (iv) the level and rationale of funding of statutory services delivered by non-government organisations.*

*(b) The study should be conducted within the next six months and the findings publicly released.*

#### **Government Response**

*Accept in principle.*

A number of reviews have either been recently completed or are underway in relation to Child Protection and Juvenile Justice statutory services. Over the last two years there has been a Child Protection and Placement Demand Management Strategy Project, Client Audits and a Viability Study. Major reviews have been completed of both juvenile justice centres, kinship care and home-based care.

The primary role of the Youth Parole Board and the Youth Residential Board is to exercise jurisdiction over all young people sentenced by a court to a period of detention in a Youth Residential Centre or a Youth Training Centre and to make decisions concerning release on parole of young people sentenced to detention. His Honour Judge Eugene Cullity currently chairs the Boards. The Board prepares an Annual Report for the Minister for Housing and Community Services.

The Department has a publicly accountable child death inquiry process that reviews the death of children and young people known to the Child Protection and Juvenile Justice systems. The aim of the inquiry process is to gain knowledge about child deaths that can contribute to the improvement of service responses. The Victorian Child Death Review Committee (VCDRC) was established as a Ministerial Advisory Committee in 1995 to provide an extra level of accountability regarding the deaths of children and young people known to the Child Protection system. The VCDRC aims to provide a multi-disciplinary focus on child deaths and to identify ways in which preventative and early intervention practices can improve the health and welfare of children and families at risk. It also provides advice and comment on practice issues or themes that may emerge from the child death inquiry process.

The Child Protection Outcomes Flagship Project will focus on clarifying and improving outcomes for children and young people in statutory care. Ultimately, the main aim of this project is to improve outcomes for children, young people and families who are at risk of entering the Child Protection system.

The Department acknowledges its ongoing responsibility regarding statutory services for children and young people. It will continue to monitor issues related to demand, appropriate service models, duty of care and funding to non-government organisations.

### **Recommendation 9.1:**

*The Department of Human Services, in consultation with service providers, consider a mechanism to confer preferred supplier status, subject to periodic review, on appropriate providers in Victoria.*

#### **Government Response**

*Partly accept.*

In line with Government policy, the Department has implemented a new funds allocation and provider selection policy in place of the competitive tendering policy of the previous Government. Previously all

new funding over \$100,000 was required to be competitively tendered. The new policy does not require such an approach. The criteria for determining the method of selecting providers and allocating funds is based on three elements:

- What method will achieve the optimum client outcomes
- What method will facilitate partnership
- What method is required to provide for appropriate financial accountability

There are four funding options—direct allocation, invited submission, advertised submission and (in limited circumstances) public tender.

For agencies, outcomes of this policy are:

- A significant reduction in the administrative overheads in preparing tender documentation.
- Shorter timelines in the process of allocating new initiative funding arising from streamlined processes and fewer tenders.
- Publication of funding allocation intentions in Policy and Funding Plans provides greater transparency.

The scope of the policy generally applies only to new funding. In relation to ongoing funding arrangements, service delivery agencies are provided with roll-over funding on an annual basis subject to satisfactory review of service delivery performance. This arrangement establishes ongoing funding for agencies and, in effect, confers a preferred provider status.

### **Recommendation 9.2:**

*The Department of Human Services, in the process of revising funding methods for human services, consult with service providers on the merits and shortcomings of various selection methods.*

#### **Government Response**

*Accept.*

Consultation with peak bodies was undertaken during the development of the *Policy on Funding Relationships between Department of Human Services and Funded Agencies*. This policy formed the basis of the Department's Implementation of New Provider Selection Framework for Department of Human Services: Interim Guidelines, issued in November 2000 and revised in May 2001. In addition, it should be noted that the PAEC's previous report on outsourcing made substantial use of funded agency submissions, which have contributed to the development of the current report on service agreements. There has, therefore, already been substantial consultation with the funded sector on Department of Human Services funding policy. The Department will undertake a process of consultation with funded agencies in any future review of the *Policy on Funding Relationships between Department of Human Services and Funded Agencies* in the context of the Partnership Agreement.

### **Recommendation 9.3:**

*The Department of Human Services' purchasing guide be periodically revised in consultation with service providers and include:*

- (a) detailed criteria for the different methods of selecting providers and the decision-making process;*
- (b) minimum tender amounts for various human services (for example, \$250,000 for acute health services), to ensure the costs of tendering do not outweigh the benefits of a competitive process;*
- (c) where and under which conditions competitive tendering is considered to be an inappropriate method for selecting providers; and*
- (d) details of the Department of Human Services' business practices for tendering/funding processes. The business practices should ensure sufficient time for service providers to respond to calls for expressions of interest, and timely negotiation and award of tenders.*

### **Government Response**

#### **Accept.**

The Department supports a periodic review of the *Policy on Funding Relationships between Department of Human Services and Funded Agencies*.

The Department's operational guidelines emanating from this policy would be reviewed internally, as necessary, depending on the outcome of each review of the policy. The operational guidelines have been developed for use by Departmental staff to guide their interpretation and implementation of the Policy. These are regularly reviewed as part of a general review of Departmental funding and purchasing policy and business rules.

In relation to the specific issues raised by the Committee, detailed criteria for the different methods of selecting providers and the decision making process are already set out in the Department's operational guidelines. The current review is intended to revise this information and provide more detail to Departmental staff where necessary. The elements of the funding process mentioned by the Committee, that is, the provision of sufficient time for responses to calls for submissions, and timely negotiation and allocation of funding, will be taken into account in the current review.

With regard to tendering for community services, while tendering is provided for as an option in the *Policy on Funding Relationships between Department of Human Services and Funded Agencies*, in practice it is rarely, if ever, used because advertised and invited submissions processes provide a sufficient and appropriate level of competition for the vast majority of human services. The experience from the first year of implementing the policy indicates that tendering was not used as a provider selection method during 2001–02.

With regard to tender thresholds, these only apply in relation to commercial purchasing and not funding for services. It should be noted that the Government's policy has clearly moved away from the threshold concept towards one based on the application of principles including best value outcomes, financial responsibility and partnership.

### **Recommendation 9.4:**

*The Department of Human Services reconsider its current policy of automatically passing productivity savings requirements to service providers.*

### **Government Response**

#### **Partly accept.**

The Victorian State Government applies an annual 1.5 per cent productivity dividend to budget expenditure items over which the Government considers the Department to have a level of management discretion. The dividend amount is notified to the Department in the three-year forward estimates by DTF based on an unchanged recurrent base.

It is common practice for governments to apply productivity dividends to resources to recognise the increase in labour and capital productivity that occurs over time. The Commonwealth Government also applies an Efficiency Dividend to the funding received for Departmental programs. The rate of the Commonwealth dividend is approximately 1 per cent, although it varies between agreements because of different funding formulae used.

The Department historically has not automatically passed productivity savings requirements to service providers. Rather, various program Divisions have exercised discretion in applying the 1.5 per cent productivity dividend to Department of Human Services program staff, direct care services or the funded

sector. This discretion has traditionally taken the form of prioritising application of the dividend by exempting program initiatives or sectors, or offsetting the dividend against program growth funding or consumer price index (CPI) adjustments.

The Department acknowledges that the variability of application of CPI and productivity dividends across programs and the lack of transparency of approach has, in some cases, led to confusion for service providers, particularly where the agency delivers multiple services. This history of limited transparency in sheltering agencies from the impact of the 1.5 per cent productivity dividend has resulted in varied approaches to productivity strategies between the Department and the funded sector.

The Government's 1.5 per cent productivity dividend is being replaced by a more targeted approach that recognises the specific savings available from each output. In this context, the Department is considering the most suitable approaches to productivity savings, including a review of the capacity of agencies to benefit from productivity improvements.

### **Recommendation 9.5:**

- (a) The Department of Human Services service agreements should be for three years; and*
- (b) Where special conditions exist, this timeframe can be varied where there is agreement between service providers and the Department.*

#### **Government Response**

*Accept in principle.*

The Department has established a Partnership Flagship Project to address this matter and other partnership issues during 2002–03. The Partnership Flagship Project will be conducted with significant consultation and involvement from service delivery agencies and aims to introduce a framework for three-year service agreements. The framework will be based on a collaborative approach to identifying the range of service types suitable for a three-year cycle.

### **Recommendations 9.6—9.8:**

*9.6 The Department of Human Services introduce business practices that will ensure service agreements are signed off with providers prior to the commencement of the financial year to which the agreements relate.*

#### **Government Response**

*Accept in principle (see discussion below)*

*9.7 The Department of Human Services revise its current service agreement negotiation process to provide for the genuine exchange and discussion of views between parties.*

*9.8 The Department of Human Services outline the scope and nature of the revised service agreement negotiation processes with service providers in the next edition of the Service Agreement Information Kit for Agencies.*

#### **Government Response**

*Accept.*

The current service agreement is an annual process that is based upon the principle that the Department and the service delivery agency will negotiate and agree on annual funding and service delivery requirements and sign the agreement before new funding commences. The introduction of the service agreement roll-over process has meant that the bulk of agency funding (approximately 90 per cent subject to annual review of agency service delivery performance) is provided recurrently with no disruption to the continuity of payments to agencies. However, since the introduction of the roll-over process, the timeliness of service agreement signing has reduced because a smaller proportion of funding is linked to the signing process.

During the Inquiry, agencies indicated the importance of the negotiation and signing of service agreements prior to the commencement of the financial year. A key focus of the Partnership Flagship Project during 2002–03 will be the reengineering of the service agreement process to achieve a transition to three year agreements, where suitable. An objective of reengineering will be the development and implementation of a redesigned service agreement process that will provide scope for appropriate service agreement negotiation and opportunity for signing prior to the commencement of the financial year to which the agreement relates. It should be noted, however, that there are some instances, including where there are Commonwealth-State funding arrangements, where the management of the agreement process does not rest solely with the Department.

For 2002–03, a number of timeliness strategies are being implemented to improve the timeframe in which funding information is provided to agencies and to bring forward the document provision, negotiation period and signing timelines.

The introduction of three year service agreements is proposed for 2003–04 and the Service Agreement Information Kit for 2003–04 will be amended to include revised negotiation arrangements in the context of implementing three year agreements.

#### **Recommendations 9.9 and 9.10:**

*9.9 The Department of Human Services develop and implement business practices that ensure payments to service providers are made in accordance with the provisions contained in the service agreements.*

*9.10 The Department of Human Services adapt the payment advice reporting system of the acute program for other programs.*

#### **Government Response**

*Accept.*

Recommendations 9.9 and 9.10 relate to issues of the adequacy, timeliness and consistency of funding information provided to funded agencies. Since the commencement of the Inquiry, the Department has introduced a number of improvements that address these issues. From July 2002, funded agencies are being provided with:

- Standardised advice about 2002–03 timelines for the service agreement process and negotiation, and of continuing funding levels for 2002–03.
- Improved remittance advice based on the model provided to hospitals and developed in consultation with peak organisations. It aims to improve the quality of payment information to funded agencies. The paper-based remittance advice is currently provided to all agencies with their payments.

In August 2001, the Department initiated development of the Funded Agency Channel (FAC) as an on-line mechanism for communicating, collaborating and conducting business with the funded sectors. Stage 1 of the FAC has seen the initial establishment of the Channel largely as a repository comprising relevant information for agencies and a simple discussion forum.

A 'My Agency' component has been established to provide online access to service agreement, funding and performance information for 2,800 agencies funded by the Department. The improved remittance advice was made available to agencies online via the FAC from September 2002.

### **Recommendation 9.11:**

*The Department of Human Services:*

- (a) either strengthen and broaden the mandate of its Regional Offices regarding service agreements (ensuring they have the authority to negotiate service agreements directly with service providers) or centralise service agreement functions; and*
- (b) clarify the operational relationship between Department of Human Services' Head and Regional Offices, and advise service providers accordingly.*

#### **Government Response**

*Partly accept.*

Current central office and regional office roles are considered to be generally appropriate for the Department to undertake its responsibilities across the State in a consistent and equitable manner.

Central office is responsible for the development and communication of policy and service frameworks, client eligibility guidelines, service objectives and plans, clear output specifications, program global budgets and allocations to Regions, funding guidelines and pricing, data collection, minimum standards for service delivery, and assessment tools to ensure performance can be measured and monitored.

Regional offices are responsible for regional service planning based on a detailed understanding of local community and client needs; management of relationships with funded service providers in a partnership environment, including negotiation of most service agreements; monitoring service provider performance; and delivering internally provided services.

Central office staff negotiate service agreements for peak bodies and some service types, such as mental health services and metropolitan acute health services. In addition, the Department now allows agencies that operate across regions to choose to enter into separate agreements with each region.

Central office and regional office roles, including in the development and negotiation of service agreements, will be more clearly communicated to both service providers and Departmental staff through the Service Agreement Information Kit produced annually for agencies, service agreement documentation, Funding and Policy Plans, the annual Departmental Plan, the Funded Agency Channel, and the Department's intranet site.

### **Recommendation 9.12:**

*To ensure the transparency of the process to redevelop Department of Human Services service agreement documentation, details of the consultation process and any relevant documentation be made available to service providers.*

#### **Government Response**

*Accept.*

Each year, as part of the annual service agreement process, the Department consults with key peak organisations (Victorian Council of Social Service, Municipal Association of Victoria, Children's Welfare Association of Victoria, Kindergarten Parents Victoria and Victorian Health Association), on the structure and content of the service agreement, with a particular focus on obtaining feedback on the terms and conditions clauses contained in Schedule 1 of each agreement type. The nominated peak organisations are specifically consulted as representatives of the sectors around which the different types of service agreements are based.

The purpose of the consultation is to provide information to the peak organisations about any proposed changes to the agreement from the previous year, and to elicit views about the structure of the document, the appropriateness of the terms and conditions, to identify areas for improvement and clarification and

receive input from agencies about suggestions for new clauses or deletion of redundant information.

In the second Government submission to the Inquiry, the Department committed to, and has since implemented, significant changes to the service agreement documentation to simplify its content and improve funding information transparency. These changes were made in response to the issues raised by funded agencies and peak organisations as part of the Department's consultations in preparing its submissions to this Inquiry. Subsequently, funded agencies have been consulted about the changes made and the feedback has been positive.

Currently, the Department, peak organisations and funded agencies are working collaboratively to develop and agree on a Partnership Agreement due to be completed by the end of 2002. When completed, the Partnership Agreement will provide an overarching framework for the further redevelopment of the service agreement document. It is anticipated that the redevelopment of the service agreement will be undertaken in collaboration with peak organisations and funded agencies early in 2003.

The Department's Funded Agency Channel will be used to disseminate information online to the funded agencies about the service agreement redevelopment process and to obtain their input along the way.

### **Recommendations 9.13—9.15:**

9.13

- (a) The Department of Human Services, in consultation with service providers, review all its service standards and guidelines with a view to consolidating this information into single documents relevant to each type of service activity and to reflect best practice; and*
- (b) This information should be made available on the Department of Human Services' website and in hard copy form, be regularly updated, in consultation with service providers, and monitored by the Department of Human Services to ensure compliance by providers.*

9.14

*The Department of Human Services inform service providers of the release of any new or revised standards or guidelines cited in service agreements.*

9.15

*The Department of Human Services, in consultation with providers, undertake ongoing research to identify emerging changes in practices, and incorporate such practices in the service guidelines, where appropriate, and in a timely manner.*

### **Government Response**

**Accept.**

Recommendations 9.13 to 9.15 relate to the quality, currency, appropriateness and availability of the service standards and guidelines the Department has in place to support the delivery of quality human services to the community. These recommendations are supported by the Department.

Underpinning the range of different service programs and activities funded by the Department for delivery by funded service providers are a suite of program-specific policies, service standards and service delivery guidelines based on Commonwealth and State legislation, policies and accepted service delivery practices.

The program areas review the suite of standards and guidelines annually to ensure ongoing currency and appropriateness. A concerted effort has been made by the Department to update standards and guidelines and ensure the details are referenced in each Division's annual Policy and Funding Plan for the information of funded agency staff. The standards and guidelines are also referenced in the service

agreement against the service activity to which they apply. Key policies and standards that have broad application to funded agencies (for example, on fire safety and insurance) are contained in the Service Agreement Agency Information Kit. The Kit is updated annually and published on the Department of Human Services Internet site. Each regional office makes available a hard copy of the Information Kit and the suite of program service standards and guidelines to be accessed by funded agency staff on an as needs basis.

Recently, a large number of standards and guidelines have been published on the Funded Agency Channel (FAC) providing online access for all funded agencies at any time. Further work is required to include all standards and guidelines on the Channel in the near future. In this regard, the Department requires all standards and guidelines to be migrated to the electronic medium by 2003–04. The FAC will be used in the future to inform agencies of new or revised standards and guidelines. Where agencies do not have access to the Channel, updates will be provided via regional offices.

During 2001–02 the Department sponsored the Quality in Services Flagship Project to guide the development of quality systems and initiatives across the Department's program portfolio. Implementation includes a focus on service standards and guidelines as a priority.

**Recommendation 9.16:**

*The Government establish an independent mediation and arbitration process for dispute resolution of Department of Human Services service agreements.*

**Government Response**

*Reject.*

The Department has a flexible dispute resolution process under the current service agreement arrangement. Clause 13 of the Schedule 1 of the Non-Government Organisations service agreement provides that if disputes arise concerning the terms and conditions of the service agreement or the provision of services, the parties will take prompt action to resolve the dispute at the appropriate level and in accordance with the procedures outlined in the Service Agreement Agency Information Kit. There is no prescription concerning the level at which resolution should occur, except in cases where an actual breach of the agreement has occurred. In these circumstances, a formal notice is provided to the agency from the Secretary with a request to remedy the situation. Where that breach is not remedied, the Secretary has the authority to terminate the agreement.

It is the Government's position that the current approach for resolving issues between parties to the service agreement is appropriate and provides an environment that can foster the partnership relationship between the Department and funded agencies while maintaining appropriate accountability arrangements to ensure the proper use of public funds. It also provides a mechanism for prompt action where serious breaches to the agreement occur.

**Recommendation 9.17:**

*The Government, as a matter of priority, resolve the issue of intellectual property rights for service providers.*

**Government Response**

*Accept.*

The Department of Justice is working with all relevant Government departments, including the Department of Human Services, to address this issue.

**Recommendation 9.18:**

*The Department of Human Services establish whether all statutory requirements (eg. legislation relating to fire protection, health standards and occupational health and safety) are being met by service providers and, where necessary, provide support to ensure all requirements are met.*

**Government Response****Accept**

The Department has in place a range of strategies to ensure effective monitoring of statutory, safety and quality requirements in relation to services delivered to clients by both the Department and funded service providers.

As part of its risk management approach, the Department continues to focus on key areas of risk, such as fire prevention and protection, health standards, incident management and reporting, pre-employment screening and security (police checks), occupational health and safety and WorkCover. The approaches taken in relation to this range of statutory requirements and standards are appropriate to roles, responsibilities and jurisdiction of the Department over the various entities funded and the categories of clients receiving services.

The Department's requirements in relation to key risk areas are outlined in the service agreement with the agency and in more detailed terms in the Agency Information Kit. The service agreement sets out the responsibilities of agencies for complying with all laws relating to fire protection, health and general safety for any premises from which an agency operates in the delivery of services to the community, irrespective of whether the agency is the owner or occupier of the premises. The Kit outlines what an agency entering into a service agreement with the Department must have in place to protect the persons under their care. The Kit, along with supplementary operational guidelines, provide Departmental staff with guidance about their respective roles and monitoring responsibilities. These requirements are reviewed regularly to ensure currency and appropriateness. A range of support mechanisms, including funding, is provided to assist in meeting requirements.

For example, in recent years, the Department has focused significant attention on improving fire risk management across properties housing clients of the Department, including those owned and not owned by the Department. In 1997 a comprehensive Fire Risk Management Strategy was established to ensure the Department meets its obligation to provide safe and secure buildings for all Secretary and Crown owned facilities, for example disability services, and was extended to include statutory authority facilities, such as—acute, aged, mental health and nursing homes. The Director of Housing properties are also part of the Department's Fire Risk Management Strategy. The Strategy provides for the monitoring and auditing, by appropriate qualified professionals, of properties owned by external agencies providing services funded by Community Care and Disability Services. Ongoing and supplementary funding on an annual basis has supported implementation of the Strategy.

**Recommendation 10.1:**

*As a matter of priority, the Department of Human Services, in consultation with service providers, develop a community services industry plan.*

**Government Response****Accept.**

The Department recognises the importance of sound sector infrastructure to the viability, efficiency and good quality of human service provision.

As a key part of its Partnership Flagship Project, the Department will develop a Community Sector Support and Development Framework to address issues of quality and sustainability in the service sector that:

- Establishes the principles and objectives for infrastructure investment to strengthen quality and sustainability in the funded sector, including in information technology, quality systems, training and development and support for sound governance.
- Provides a framework for sector or issue-specific plans.
- Identifies priorities for action over the next 3–5 years.

The proposal is currently being refined in collaboration with service provider representatives. The Department has convened the first of the ongoing bi-annual forums of service providers and has also commenced work with nominees of peak organisations to develop the detail of this framework and Partnership Flagship Project activities. The Community Sector Support and Development Framework will be completed by June 2003.

The Framework will be supplemented by projects on key infrastructure issues over the next two or three years. Some of this work is already underway and other projects will be identified in the course of the Framework development. The Department has, for example, initiated a Workforce Planning Flagship Project to strategically plan forecasts on how many workers are needed to deliver each service. This project will grapple with issues such as growth in demand and complexity of services that continually change the level, quality and mix of staff required to effectively deliver human services.

The Department has developed a Service Quality Framework to guide the development of quality systems across the Department. Each relevant Department of Human Services' Division has developed a Quality Plan.

The Department has developed and is piloting a Funded Agency Channel in partnership with eight key funded agencies, to improve business processes, streamline agencies' access to information and build a platform for better collaboration.

Other projects will deal with infrastructure issues within a specific service sector, for example, the development of an industry plan for the disability services sector. The development of a capacity building strategy has commenced in partnership with the funded community service organisations providing out-of-home residential care for children and youth.

### **Recommendation 10.2:**

*The Department of Human Services review its business practices to ensure that service providers receive, as soon as possible, funding to cover increases in employment awards relating to State funded programs.*

#### **Government Response**

*Partly accept.*

In the case of State funded programs to the non-government sector the State is not the direct employer of staff and is therefore not required to directly meet award and other salary variations. However, the Department of Human Services accepts that there needs to be more timely adjustment of services prices.

In 2002-03, the Department is taking a number of steps to address the timeframe within which funding adjustments are made to agencies. This includes streamlining funding processes and modifying corporate systems to centralise the processing of wage related increases.

The Department is moving towards longer-term agreements with non-government sector agencies and is exploring a future funding approach on indexed output pricing in order to simplify the price adjustment process and improve timeliness.

### **Recommendation 10.3:**

*The Department of Human Services review the adequacy of funding to service providers for the employment of staff. The review should consider all costs associated with the employment of staff.*

#### **Government Response**

*Partly accept.*

Individual program areas undertake periodic reviews of the funding provided to agencies to undertake their role. This includes the employment of staff. These reviews occur in the context that Department of Human Services typically funds on an output based funding model, not an input based funding model. This enables service providers to determine staffing complements according to the range and type of service being delivered and the needs of the client group being served. Other contextual issues include:

- The Residential Services Workers Pay Parity case is currently being arbitrated.
- Constraints outside the Department's control, such as Commonwealth Government requirements.
- The availability of funds and the priority decisions of Government.

### **Recommendation 10.4:**

*The Department of Human Services conduct an audit of the training and development needs of service provider staff, including the needs of small providers and those operating in rural and regional Victoria. The audit should be conducted as a component of the industry plan.*

#### **Government Response**

*Partly accept.*

The Department recognises the importance of maintaining a skilled and dedicated workforce in the health, housing and community sectors. As outlined in the response to recommendation 10.1 above, the Department will develop, in consultation with funded sectors, a Community Sector Support and Development Framework to address issues of quality and sustainability in the service sector, including staffing issues such as training and development.

### **Recommendation 11.1:**

*The Department of Human Services:*

- (a) develop criteria for determining where services are to be delivered by service providers in rural and regional Victoria; and*
- (b) monitor the adequacy of the coverage of human services in rural and regional Victoria.*

#### **Government Response**

*Partly accept.*

As part of the development of the Victorian Rural Human Services Strategy (VRHSS), a project on service mapping is being undertaken.

Many programs in Department of Human Services have been reviewing and revising data collections to support information and planning needs and, where feasible, examining ways to open up their data to a wider audience.

One of the objectives of the VRHSS is to build a map of human services delivered in Victoria. This project seeks to bring together data on rural communities from across Department of Human Services (from health, housing and community services) and externally (for example, Australian Bureau of Statistics, Centrelink, Health Insurance Commission and other government services).

Developing this map is a complex task. Some of the data required does not currently exist, and available data is sometimes unsuitable for a range of reasons, including:

- Geography—information on local areas is not always available and different geographic boundaries are used inconsistently.
- Access—data is sometimes not used because of access difficulties in operational systems that often do not support planning analysis.
- Fragmentation—data sets exist across the Department that are either not linked or consolidated.
- Privacy—the need to protect the privacy of information collected on individuals.

The development of the service map, which will not only seek to map services, but also a range of criteria including target groups, service objectives and catchments, along with socio-demographic data. This will include an analysis of current levels and mixes of human services available in small towns, rural district centres and regional communities and provide advice on continued access to an adequate level of service provision.

The analysis will take account of factors such as projected future demand, projected demographic changes, service viability and quality and linkages between small towns, rural district centres and regional centres, self-sufficiency and rural sustainability.

### **Recommendation 11.2:**

*As part of the development of the Rural and Regional Human Services Plan, the Department of Human Services:*

- (a) review the adequacy of current funding models for human services delivered in rural and regional Victoria and publish its findings;*
- (b) in consultation with non-government organisations, introduce mechanisms to ensure that human service models are appropriate for rural and regional communities;*
- (c) develop and publish a series of guidelines that identify where competitive tendering is an inappropriate funding model for services delivered in rural and regional Victoria; and*
- (d) introduce flexibility to the way rural and regional service providers can use funds to respond to the needs of their diverse communities, whilst ensuring accountability for those funds.*

### **Government Response**

#### ***Partly accept.***

The Department of Human Services has a number of different funding models that apply to small rural agencies. In addition, most of these funding models have numerous funding streams and corresponding reporting requirements. Questions have been raised about the usefulness of these funding models given small agencies' need to respond quickly to changing client needs and to workforce availability.

As part of the VRHSS, work is underway to develop a funding model that promotes appropriate access to services, encourages innovation and reduces the bureaucratic burden. To this end, the Department is exploring a new service and funding approach with small rural service providers. The *Small Rural Health Providers: New Service and Funding Approach—Discussion Paper* has been released and may be downloaded from [www.dhs.vic.gov.au/vrhss](http://www.dhs.vic.gov.au/vrhss). The Department is using the Discussion Paper as a resource in considering planning and funding reform for small rural agencies.

The development of the VRHSS is planned to be a continuous process, with the aim of providing an ongoing and overarching policy framework and broad principles for the delivery of human services in rural Victoria within a whole of Government and whole of Department context. The framework will be supported by individual projects focusing on issues of concern for rural communities and will link with other Department initiatives, continuing to target:

- Service access
- Viability/sustainability
- Quality
- Role of regional and district centres
- Self-sufficiency
- Service integration
- Substitutability/alternative services
- Service innovation
- Links with community building.

It is anticipated that more projects will come on line to further progress the Strategy and to respond to needs identified as part of this consultation process.

As a part of Stage 1, recommendations will be developed for Stage 2 future work under either the VRHSS or in specific programs. This will include an analysis of issues, key priorities and detailed recommendations on future work required either globally or by program.

### **Recommendation 11.3:**

*The performance of Local Government service providers and the allocation of growth funding for Local Government be regularly reviewed.*

#### **Government Response**

*Partly accept.*

Local government, as well as other service providers, is subject to regular accountability requirements in relation to the delivery of funded services. This is complemented by established financial and governance accountability requirements prescribed in local government legislation.

The Partnership Protocol between the Department of Human Services and the Municipal Association of Victoria, representing local government, will provide a basis for further dialogue and refinement of the review process in the context of local government services.

The notion that growth funding for local government be addressed as a separate exercise is not supported. Allocation of growth funding occurs within the context of the Government making decisions about priority areas. Distribution of growth funds to all service providers, including local government, is undertaken on the basis of service priority and the decisions of the Government about those priorities.

### **Recommendation 11.4:**

*The Department of Human Services, in conjunction with Local Government:*

- (a) review the adequacy and the methods used to develop service agreement targets with Local Government; and*
- (b) develop broad social indicators that link program areas and individual program outputs.*

#### **Government Response**

*Partly accept.*

The Department supports the intent of the recommendation. The method to develop service agreement targets is consistently under review and modification to provide a more responsive approach to service delivery needs. It is acknowledged that this work is continuing and methods need to change over time. Local government is an important contributor to this process. It must also be acknowledged that the overall framework for allocation of funds requires the specification of outputs and targets.

*Growing Victoria Together* provides the policy parameters and a defined approach to measuring progress. The Department of Human Services has objectives established to meet the outcomes in *Growing Victoria Together*. These are outlined in the 2002–03 Departmental Plan.

The link between the overall objectives of the Department and the many services provided does need to be more strongly articulated to provide the coherence required. The Department considers this needs to occur in a number of ways. For example, through general information sharing about the goals and desired outcomes for services and through administrative processes such as reviewing the number and nature of outputs specified in service agreements. The development of common social indicators is a further mechanism that contributes to the coherence desired.

### **Recommendation 11.5:**

*The Department of Human Services:*

- (a) *review, in consultation with Local Government, the adequacy of the service agreement process to respond to identified service gaps and emerging needs in a timely manner; and*
- (b) *consider the concept of block funding to a Local Government area to enhance flexibility and responsiveness to local needs.*

#### **Government Response**

*Partly accept.*

Identification of service gaps and emerging needs should occur within a planning framework. Discussion of the planning processes with local government and other service providers is provided in the response to recommendation 5.1.

A Partnership Protocol between the Department of Human Services and the Municipal Association of Victoria, representing local government, has been developed. As part of the implementation of the Protocol, the Department will undertake to initiate discussions with the MAV on service planning processes.

The Department does not support the concept of block funding to local government as an overall approach. The Government framework for output funding, with transparent identification of expectations, is the preferred approach. The overall framework for the allocation of funds is outlined in the response to recommendation 7.5.

### **Recommendation 11.6**

*A State/Local Government partnership protocol be formally developed between the Department of Human Services and the Local Government sector in order to recognise their joint responsibilities in delivering human services to the community.*

#### **Government Response**

*Accept.*

A Partnership Protocol between the Department of Human Services and the Municipal Association of Victoria, representing local government, has been developed.

The protocol publicly acknowledges the important working partnership and complementary roles of the State and local governments in planning, funding and delivering human services. It sets down mutual areas of interest and challenges, and provides a framework to guide agreements and activities undertaken by the Department and local governments, including:

- The negotiation of memoranda of understanding on specific programs.
- The negotiation of funding and service agreements between Department of Human Services regional offices and specific local governments.
- Planning, policy/ program development, service coordination and evaluation at statewide, regional and local government levels.
- Processes to manage any difficulties in the relationships.

### **Recommendation 11.7**

- (a) *The Department of Human Services, in conjunction with the Municipal Association of Victoria:*
- review the operational impact of the Memorandum of Understanding in relation to Maternal and Child Health services with a view to enhancing this process; and*
  - incorporate the lessons learned from the review in the development of the Home and Community Care Services (HACC) Memorandum of Understanding.*
- (b) *The Department of Human Services consider the adoption of a Memorandum of Understanding for services fully funded by Councils, but at the direction of the State, such as public health services.*

#### **Government Response**

##### ***Partly accept.***

The Department of Human Services and Municipal Association of Victoria (MAV), representing local government, have developed an overarching partnership agreement (see the response to recommendation 11.6). The continuing need for a specific Maternal and Child Health Memorandum of Understanding will be considered within the parameters of that agreement. Funding and service agreements for Maternal and Child Health are developed with each local government area.

The Department has commenced discussions with the MAV concerning the development of a program partnership around the Home and Community Care (HACC) Program.

The partnership has a number of elements including mutual acknowledgement of roles and responsibilities, joint policy development, financial transparency, agreement on maintenance of effort by both parties and improved approaches to cost and price. Each of these elements has short, medium and longer term dimensions.

Municipal public health plans are required by statute (*Health Act 1958*) and do not involve or require Department of Human Services adopting an MOU with councils. In relation to other public health programs (for example, environmental health, food safety, communicable diseases), councils also have a statutory responsibility.

### **Recommendation 11.8:**

*The Department of Human Services consider the development of integrated local area plans to ensure there is an agreed and consistent approach to planning for the delivery of human services in each municipality. The plan would also provide the basis for decision making within the Department regarding future funding and service directions by utilising the most accurate and detailed data on community needs as collected by the relevant council.*

#### **Government Response**

##### ***Partly accept.***

The need for planning frameworks is supported. The focus of planning varies depending on the characteristics, nature and size of the problem or issue that is being addressed. Some issues are best dealt with at a neighbourhood level while others are best addressed at a local government area level and others at the level of a number of local government areas. To achieve the benefits of integration, the planning framework does need to be adjusted for the issue at hand. The Department has considered integrated local

area plans in those services where the local focus is the most likely to provide an effective platform for planning and delivery. For many services, planning at district level is more appropriate such as three or four municipalities.

Primary Care Partnerships (PCPs) are working with the community and the Department of Human Services to develop and implement Community Health Plans across Victoria. Many local governments are members of PCPs. Community Health Plans provide a picture of community needs for defined geographical areas, population subgroups (such as low income families) and specific conditions (such as asthma) to influence future policy directions. The Plans will also contribute to better management of demand on services through increased collaboration between primary care and acute services. This will help the Department to make more informed decisions about priorities and resource allocation.

Corporate Plans, Municipal Public Health Plans and the Municipal Strategic Statement are all required by statute, and are key statements for articulating strategies about community wellbeing and health within the governance responsibilities of local governments. Municipal Public Health Plans, over ten years, have provided the basis for a strategic and integrated approach to local area planning, determined by local public health needs and priorities and directed at achieving public health outcomes.

Environments for Health is the new framework for municipal public health planning and aims to:

- Inform strategic planning undertaken by local governments
- Promote a partnership approach that will enable more effective contributions to other planning processes
- Prevent duplication of planning efforts at the local level
- Provide the tools for working across a wide range of other regional and local plans, including community health plans
- Create the right conditions for improving community health and wellbeing.

Disability Services has investigated the possibility of local area plans, based on work already in place at the local level in Western Australia. The concept of a local area plan for Disability Services has been included in the Victorian State Disability Plan and the opportunity to integrate with existing planning mechanisms is being actively investigated.

### **Recommendation 12.1:**

*The Government give a high priority to reviving its co-ordinated government partnership initiative to develop a uniform partnership framework applicable to all Departments that provide or fund community, health and welfare services in Victoria.*

#### **Government Response**

*Accept in principle.*

The Government's commitment to adopt a partnership approach in working with the community sector has been implemented through a range of activities. These are detailed below. In addition, the Department of Premier and Cabinet has been working with VCOSS to develop a document that will give expression to a partnership approach and principles framework for interaction between the Government and the community sector. The document will outline a collaborative whole of government approach to partnership with community, health and welfare services in Victoria.

Important initiatives as part of the across-Government approach to date have included:

- **The Victorian Economic, Environment and Social Advisory Committee (VEESAC):** This peak Advisory Committee to the Government is a consultative forum which informs the Government's partnership approach to triple bottom line policy thinking. The Victorian Council of Social Services (VCOSS) is represented on VEESAC, along with representatives from business, the environmental movement and the wider community.

- **Community Building:** The Government has demonstrated a commitment to partnerships in practice through a range of community building initiatives. The Government's approach to community building has been conceived on the basis of collaboration between governments, business, local communities and the voluntary and philanthropic sectors, recognising that no single partner can achieve the desired outcomes alone. A core objective of the Government's community building program is to achieve enhanced relationships and networks which promote social, economic and electronic connectedness, mutuality and trust. The community building program is an important building block in the Government's practical partnership approach to working with the community.
- **The Department of Human Services: Development of Partnership Agreements with Funded Organisations:** The Government has encouraged and supported development of partnership agreements, compacts or charters where these have been seen as practical and useful. Important examples are the development of two partnership agreements: one between Department of Human Services and the Municipal Association of Victoria, representing local government (see the response to recommendation 11.6), the other between Department of Human Services and the funded health, housing and community sectors (see the response to recommendation 12.3).

The Government has also committed to work in partnership with disability support providers in government and non-government sectors to develop an Industry Plan as a component of the State Disability Plan. The Industry Plan will provide the blueprint for reorienting disability supports, while continuing to ensure that the support system is sustainable in the longer term.

In addition, the Department of Human Services has established a task group to explore how the Government/Department of Human Services/sector partnership relationship can be strengthened in relation to the provision of out-of-home care placement services to a client group with increasingly complex and diverse needs. Many of the children and young people in this group have co-occurrent problem behaviours that require enormous skill to support and manage. The project will develop a capacity building strategy for the service system and community service organisations with a view to ensuring that shared Government and community sector policy objectives for the care and protection of highly vulnerable children and adolescents are achieved.

### **Recommendation 12.2:**

*The Government resource the community services sector to enable it to achieve effective participation in the development of the partnership agreement.*

#### **Government Response**

*Accept.*

The Department of Human Services has provided assistance in the form of a project officer salary and costs to enable the participation of funded agencies in a thorough consultative process leading to the development of the Partnership Agreement between the Department and the health, housing and community services sectors. This arrangement was developed in consultation with peak bodies following discussion on resourcing issues. It is proposed to continue such assistance to support sector participation in Partnership Flagship Project activities.

### **Recommendation 12.3:**

*The Department of Human Services, in the context of the Government's partnership agreement:*

- formulate guidelines for its implementation and develop a code of practice for operational areas such as funding, consultation and service agreements;*
- take measures to ensure that this information is widely circulated within its Divisions and Regional Offices; and*
- organise staff training in the use of the partnership agreement.*

### **Government Response**

#### ***Partly accept.***

The partnership initiatives being undertaken by the Department of Human Services are part of a range of initiatives across Government.

The Partnership Agreement under development between the Department of Human Services and the health, housing and community sectors will incorporate undertakings of a practical nature. At the time of preparation of this response, the Department is working with these sectors to finalise the Agreement. However, the implementation of the Agreement is expected to include:

- Establishment of a Funded Sector Support and Development Framework.
- Introduction of three-year agency service agreements, where suitable, and associated business improvements.
- Development of a joint framework for agency monitoring and data collection and evaluation, incorporating governance arrangements.
- Redefining Department of Human Services agency liaison roles and training in practical approaches to partnership development.

It is expected that the Partnership Agreement will be finalised in 2002. The agreement and associated documentation will be widely circulated in the Department and funded sector.

The Committee's report refers to the desirability of detailed guidelines for funding and consultation. The Department's Policy and Funding Plans for each program area are now prepared in a common format and constitute a detailed explanation of the basis for funding. The implementation projects listed above will strengthen these Plans.

The Department has commenced bi-annual forums with funded organisations and will work closely with the sector to establish appropriate consultative structures to undertake all partnership activities and build on the arrangements already in place in each program area.

### **Recommendation 12.4:**

*The Government and the Department of Human Services commit funds and resources to the development of the partnership agreement.*

### **Government Response**

#### ***Accept.***

The Department of Human Services has resourced the development of the Partnership Agreement and will continue that resource allocation to undertake the project work necessary to implement the Agreement. Senior staff are deployed on the Partnership Flagship Project and funds will be committed to support business process reforms, an annual survey of funded agencies on partnership issues and other key initiatives. As noted in the response to recommendation 12.2, the Department will also provide funding to support the involvement of the funded sector in partnership activities.

### **Recommendation 12.5:**

- (a) A comprehensive review process be designed with service providers to assess the implementation and effectiveness of the partnership agreement;*
- (b) The review process provide opportunities for adequate feedback from stakeholders and for clear targets and milestones to be achieved; and*
- (c) The results of the review/survey should be published and tabled in the Victorian Parliament to ensure transparency of the process.*

## **Government Response**

### ***Partly accept.***

The Partnership Flagship Project is the key strategy for implementing the Partnership Agreement. Results of the Flagship Project will be reported in the Department's Annual Report.

The Department of Human Services will conduct an annual funded sector partnership survey commencing in 2002–03. The key objective will be to seek agency views on the responsiveness and effectiveness of the Department's partnership work. The survey will measure progress on partnership initiatives, identify opportunities for improving relationships, and seek feedback on how Department of Human Services can better support funded agencies to achieve the shared mission of both parties. The survey will provide a valuable source of feedback for Department of Human Services staff dealing with agencies. The funded agency/Department of Human Services forum will review the results of the survey.

Further aspects of the review process for partnership agreements will be determined as part of the finalisation of those agreements - with the health, housing and community sectors, and the Municipal Association of Victoria (MAV) respectively. At the time of preparation of this response:

- The Department and the MAV have agreed, subject to ratification by local governments, to jointly develop an agreed process for review of the effectiveness of the Protocol, with progress to be reviewed in 12 months from the date of signing.
- The proposed term of the draft Partnership Agreement between the Department and the health, housing and community sectors is three years. The draft Agreement includes the following statement on monitoring of the agreement:  
    'review of progress for the agreement will occur as part of the Department's report to Parliament, will be incorporated into key performance indicators (KPIs) for senior departmental staff, and the results of the annual agency satisfaction survey will be made available to funded agencies.'

*Department of Human Services/Health, Housing and Community Sector Partnership Agreement—Draft September 2002.*

# Appendix 1:

## Public Accounts and Estimates Committee Inquiry into Department of Human Services Service Agreements

### Terms of Reference

1. To review the current framework for the delivery, management, funding and monitoring of community, health and welfare services in Victoria that are subject to Department of Human Services service agreements, and in particular, as they apply to:
  - (a) rural and regional areas; and
  - (b) to local government.
2. To determine the degree to which customer service rights and service provider and purchaser responsibilities are reflected in Department of Human Services service agreements.
3. To review developments in the use of service agreements in other States, Territories and overseas.
4. To assess the impact that Department of Human Services service agreements have on:
  - (a) equity of access to services; and
  - (b) filling service gaps in the community, health and welfare sectors.
5. To review the arrangements that provide Department of Human Services service agreement coverage of community, health and welfare needs, especially emerging needs for services.
6. To determine the number and type of Department of Human Services service agreements and evaluate the processes used to allocate the different types of DHS service agreements to agencies, by head office and regional managements.
7. To review the nature and use of unit costing contained in Department of Human Services service agreements and determine its current level of accuracy in incorporating the full range of functions provided.
8. To review the nature of pricing and funding of mandatory statutory service provision as provided by non-government agencies.
9. To review the tendering and contract arrangements for Department of Human Services service agreements and determine:
  - (a) whether the current arrangements are appropriate, efficient and effective; and
  - (b) if changes are required.
10. To determine how Department of Human Services service agreements reflect training, recruitment and retention of staff, and organisational development needs of service providers, in the community, health and welfare sectors.

