



Reducing Red Tape

Implementation Review

Version 2.0

Department of Family and Community Services NSW
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**Family &
Community Services**
Ageing, Disability & Home Care

Document approval

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1 INTRODUCTION

The *NSW State Plan* commits the NSW Government to building a more effective non-government organisation (NGO) sector by reducing administrative red tape.

In 2009, the Department of Premier and Cabinet (DPC) conducted a review of red tape issues facing the NGO human services sector. The resulting report, *Non-Government Organisation Red Tape Reduction* (Red Tape Review), identified opportunities to reduce red tape and recommended short-term and further actions to achieve these.

The review was mainly directed at opportunities within human service funding agencies. Implementation of the recommendations of the review have been led by Family and Community Services (FACS) and co-ordinated by Ageing, Disability and Home Care (ADHC), and NSW Health has been a partner in that work.

Although the review was intended to explore the gamut of opportunities for reducing red tape the resulting recommendations were somewhat limited in scope and the extent to which the priorities identified in the review reflected the concerns and priorities of the NGO sector has been an ongoing question. As a result, FACS agencies have introduced numerous additional initiatives to reduce red tape surrounding NGO funding arrangements during 2010. These activities have focused to some extent on the recommendations in the report but have also included agency based initiatives that bring the various entities that make up FACS closer to an integrated approach to fund management.

In many respects the review also took an overly simplistic view of the funding environment and the ability of agencies to absolutely standardise some funding practices, or to remove or reduce certain accountabilities in some circumstances. In reality the diversity of the funding arrangements across agencies, mainly due to the legislative environment within which the funding is administered, the diversity of the NGO sector, and market capability, means that funding reform is an extremely complex exercise.

FACS agencies and NSW Health, through various policies and reforms, recognise that strategies to reducing red tape are essential to ensure that the funding that is provided to the NGO sector can be directed to meet the needs of the people who need their services, and to assist the sector in improving its productivity and efficiency. Such approaches reflect the findings of the February 2010 Productivity Commission *Report into the contribution of the Not-for-Profit sector*.

This report provides an overview of the implementation of the *DPC Red Tape Reduction* report recommendations.

2 IMPLEMENTATION

The DPC Red Tape Review proposed two phases of reform of NGO funding administration to reduce red tape. The first phase involved implementing short-term actions by July 2010, and the second phase involved examining a range of further actions within 2010 for possible subsequent implementation.

The Review identified opportunities for improvement in:

1. **Selecting**
2. **Contracting**
3. **Monitoring, acquittal and reporting**

The status of the reforms recommended in the report is set out in the following sections.

2.1 SELECTING

Opportunities for streamlining selection processes involved in allocating funding identified in the report included:

- Using electronic lodgement systems
- Reducing the amount of information provided by using information already available to the funder, and
- Consistency in processes

2.1.1 Short-term actions

To reduce red tape around funding selection, the report identified the following short-term actions for implementation by July 2010:

Short-term Actions	Status
<ul style="list-style-type: none">• reduce information required from NGOs in the tendering process – where information has already been collected by agencies through tendering or monitoring processes, including external QI	Complete
<ul style="list-style-type: none">• develop and apply standard questions across agencies for NGO tenders on capability / management / financial viability	Complete
<ul style="list-style-type: none">• introduce word limits on tenders	Complete
<ul style="list-style-type: none">• introduce e-tendering (optional), and ensure information requested in tenders does not compromise the e-process	Complete

Response

FACS agencies and NSW Health have developed a FACS standard grants application form to address all of the short-term actions. The standard application form reduces the amount of information NGOs are required to submit, it contains standard selection criteria relating to the organisation's capability, management and financial viability, and introduces word limits and the option for e-tendering.

The FACS standard grants application form is available on FACS agency websites and the change has been communicated to NGOs and the broader human services sector. It has also been used in numerous selection processes. NSW Health will introduce use of the form in 2011/12.

To further streamline and simplify the funding application process, an electronic version of the FACS standard application form (Smart Form) for use by FACS agencies and NSW Health has been developed. It is envisaged that the Smart Form will promote the use of e-tendering through the NSW Department of Commerce e-tendering website. Use of the form will be audited in 2011/12.

2.1.2 Further actions

To reduce red tape around funding selection, the following areas were identified for further examination:

Further Actions	Status
<ul style="list-style-type: none"> establishing more pre-registration panels, with automatic eligibility for providers with a consistent record of performance and reliability 	Complete
<ul style="list-style-type: none"> establishing a risk framework for NGO funding across CS, ADHC and Health that would relate tendering and EOI processes to risk 	Complete
<ul style="list-style-type: none"> standardising funding selection processes to reduce regional and program variations within and between agencies 	Complete

Response

Community Services (CS) and ADHC have established pre-registration panels for some service types. Additional work is currently being undertaken to streamline the panel process and this will inform guidelines for the establishment of new panels. Pre-registration panels are not directly applicable to Housing NSW and Juvenile Justice currently doesn't have a sufficient NGO funding base to apply a registration process.

The *FACS Procurement Policy Framework* was established in December 2010 and provides a risk framework for NGO funding, relating tendering and EOI processes to risk. The framework aims to streamline funding allocation processes within FACS to build more effective and sustainable relationships with the NGO sector. It is an umbrella framework, under which individual investment, and allocation frameworks will be supported.

The framework also addresses the need to standardise funding selection processes to reduce regional and program variations within and between agencies. Additionally, a draft Statement of Intent for Sourcing Funded Programs has also been developed to accompany the framework, which explores new directions for ADHC's investments.

2.2 CONTRACTING

Opportunities for streamlining contracting, particularly for those NGOs funded across a range of programs and/or agencies identified in the report included:

- Standardising common terms and conditions
- Using a form of contracts proportionate to funding risk
- Standardising insurance requirements

2.2.1 Short-term actions

To reduce red tape around contracting, the report identified the following short-term action for implementation by July 2010:

Short-term Actions	Status
<ul style="list-style-type: none">standardise insurance requirements across FACS agencies and NSW Health	Complete

Response

In April 2010, all FACS agencies including NSW Health standardised their insurance requirements. Agency funding agreements have been amended to reflect new, streamlined, common approaches to insurance requirements. Service providers can now determine their level of coverage and the amount of insurance based on their own assessment of risk.

2.2.2 Further actions

To achieve red tape reductions, the following areas were identified for further examination:

Further Actions	Status
<ul style="list-style-type: none">developing a small suite of contracts, proportional to funding risk and with standardised plain English contract terms	Complete
<ul style="list-style-type: none">offering longer contract terms for established programs and service providers with a consistent record of both performance and reliability and subject to ongoing performance and consistency with Government priorities and funding availability	Complete

Response

FACS agencies have reviewed their existing Funding Agreements and contracts so that they are proportional to funding risk and the contract terms standardised and written in plain English.

As part of the implementation of ADHC's Funding Management System, to simplify the Funding Agreement, Schedule 1 has been revised and recipient created tax invoices (RCTIs) amended to provide service providers with more relevant information.

Most FACS agencies have also committed to offering longer contract terms, up to five years with options, for established programs and service providers with a consistent record of performance.

2.3 MONITORING, ACQUITTAL AND REPORTING

This section highlights the importance of monitoring, acquittal and reporting practices and its general acceptance in the NGO sector, but also identifies areas for improvement.

Opportunities for improvements to monitoring, acquittal and reporting practices identified in the report included:

- Standardise quality management and accreditation systems across agencies

- Standardise financial thresholds for audited statements
- Sharing of financial information within and across agencies

The report identified the following short-term actions to reduce red tape around monitoring, acquittal and reporting:

Short-term Actions	Status
<ul style="list-style-type: none"> • introduce consolidated audits across all funding programs, supported by project based income and expenditure statements 	Complete
<ul style="list-style-type: none"> • introduce common thresholds for audit requirements and harmonise those thresholds with the <i>Associations Incorporation Act 2009</i> 	Complete
<ul style="list-style-type: none"> • accept audited statements from all professional accounting or auditing bodies that meet Australian auditing standards 	Complete
<ul style="list-style-type: none"> • introduce a standard chart of accounts for funding agencies 	Complete

Response

In April 2010, ADHC, CS, Juvenile Justice and NSW Health introduced common thresholds for audit requirements to comply with the Associations Incorporations Act 2009, and consolidated audits supported by project based income and expenditure statements.

Audited financial statements are now only required from organisations which are legally required to provide them. Audit certificates will be accepted from any professional accounting or auditing body that meets Australian Auditing Standards. Funding and service agreements and acquittal policy documents have been amended to reflect these changes which have been communicated to service providers and the sector.

Housing NSW is exempt from introducing common thresholds for audit requirements because limited funding is provided for the direct delivery of community services.

Additionally, to further minimise the regulatory burden on NGOs, all FACS agencies and NSW Health have reviewed and updated internal policies to replace the NSW Standard Chart of Accounts with the National Standard Chart of Accounts.

2.3.1 Further actions

To further reduce red tape around monitoring, acquittals and reporting, the following actions were identified for consideration:

Further Actions	Status
<ul style="list-style-type: none"> • implementing mutual recognition of other agencies (and external QI) monitoring activities for core capabilities 	Complete
<ul style="list-style-type: none"> • introducing more quantitative performance monitoring of service providers to reduce the reliance on qualitative reporting 	Complete
<ul style="list-style-type: none"> • considering a single consolidated financial audit to be shared between funding agencies 	Complete
<ul style="list-style-type: none"> • moving towards outcome based monitoring to assess compliance rather than financial reporting, where appropriate 	Complete

Response

Implementation of the *The Towards Mutual Recognition- Information Sharing Protocol* for organisations jointly funded across ADHC and CS now allows for mutual recognition of monitoring activities to occur. In the future, consideration will be given to a single consolidated financial audit to be shared between funding agencies.

FACS agencies have introduced more quantitative performance monitoring of service providers to reduce the reliance on qualitative reporting. Additionally, ADHC has introduced output based acquittals for the 2009/10 financial reporting year which will reduce the administrative burden on service providers and allow providers to focus on quality services delivery. Further development of quantitative performance monitoring measures will be explored further as part of the future FACS NGO Engagement reforms.

FACS agencies are also working towards result based monitoring. In order to achieve a better balance between quality assurance and compliance with the NSW Disability Services Standards and the common Community Care Standards, ADHC has developed a Quality Framework which streamlines the regulatory burden on service providers.

In recognising that many organisations already have some form of external accreditation due to the various activities that they currently undertake, the Quality Framework will utilise an independent third party to undertake a periodic verification process.

To further demonstrate the commitment to reducing red tape, ADHC has introduced a risk based monitoring approach which allows for provider and ADHC resources to focus on addressing identified issues with specific providers. This approach represents a significant change in the direction of monitoring activities from a "one size fits all" approach.

CS has also introduced an outcome-based monitoring approach for the majority of its programs.

Housing NSW and Juvenile Justice support the move towards outcome based monitoring to assess compliance rather than financial reporting. Juvenile Justice has revised their 2010/11 Funding Agreement to include more information around performance monitoring.

3 CONCLUSION

FACS is committed to improving its relations with the NGO sector as identified in the NSW State Plan, and cutting red tape in its purchasing and operational activities.

In 2010, FACS agencies have collaborated to ensure that all of the short-term actions identified in the report were achieved. By early 2011, all of the nine further actions identified in the report had also been achieved.

These red tape reduction strategies will significantly reduce the administrative burden on NGOs therefore improving the sector's efficiency and transparency. The ADHC Sector Partnership Framework and the Sector Planning Framework will further promote effective partnerships through a shared approach to service delivery. Additionally, in leading the way forward in productivity reform, FACS agencies are actively working to support NGOs to improve the quality of their service delivery and build the capability of their staff and improve the sector's retention rates.

In 2011, FACS will continue to drive NGO reform to achieve best value for money, maximise outcomes for clients and facilitate excellence and innovation through diversity in service provision.

