



Funded contract management Overview

18 December 2019

This document explains funded contract management, why it's important to the Department of Communities and Justice (DCJ), and how we have implemented it through the Funded Contract Management Framework.

FUNDED CONTRACT MANAGEMENT

For child and family, community building, domestic and family violence, and homelessness programs

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Funded contract management

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1.1

Funded contract management, and why it's important



Funded contract management: its purpose, objective and expected outcomes

‘Funded contract management’ refers to the systems and processes that support the way DCJ manages contracts with funded service providers.

The objective is to enable both parties to work together to deliver quality services and achieve the outcomes agreed in contracts.

As the NSW Government moves away from its traditional role of service delivery to become a commissioner of services, we rely on a strong and viable service sector to deliver services on our behalf.

This growth in outsourced service provision has meant strengthening our sophistication in managing contracts with the organisations we contract, so that clients receive the services they need.

Funded contract management enables the department to meet its commitments to the people of NSW, monitors that service providers are delivering quality services, and ensures both parties are meeting their responsibilities and obligations agreed in the contract.

The systems and processes ensure we manage contracts effectively, using a strengths-based approach to work with service providers so that:



Our contracts are achieving better outcomes for clients



Service providers have the ongoing capacity and capability to deliver the outcomes agreed in contracts



Issues and risks are being managed to ensure the stable and uninterrupted delivery of services



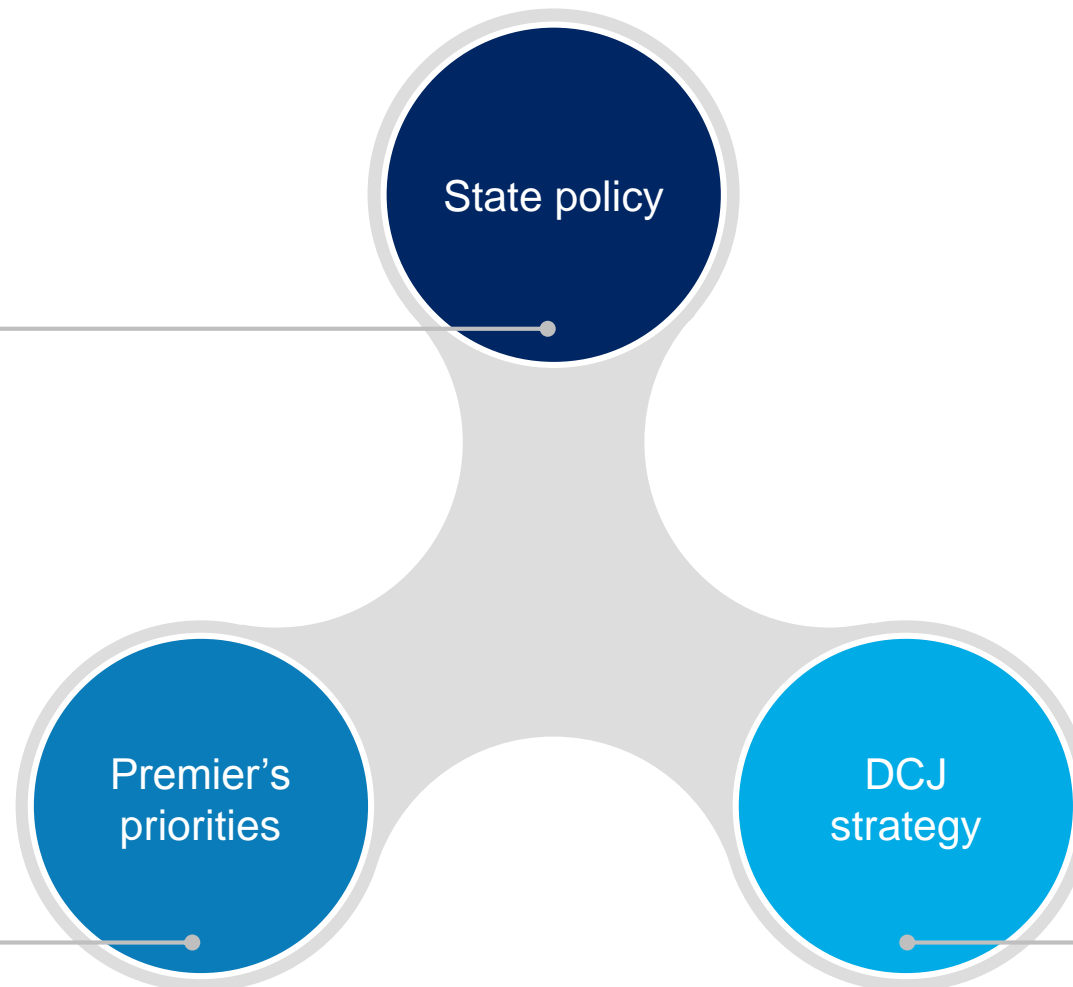
There is clarity and accountability for all parties about how funds are being used to meet client needs

Fulfilling government priorities to improve lives

Funded contract management is aligned to NSW Government policies and priorities, as well as the goals of the *FACS Strategic Plan 2017–21*.

A robust system for funded contract management supports the [NSW Government Commissioning and Contestability Policy](#).





Importantly, funded contract management is integral to our role as a commissioning agency, where we contribute to the [Premier's priorities](#): protecting our most vulnerable children, increasing permanency for children in out-of-home care, reducing domestic violence reoffending, and reducing homelessness.



Funded contract management makes an essential contribution to the priorities of the [FACS Strategic Plan 2017–21](#), and the way in which we and our service partners address child protection, homelessness and community inclusion, helping to ensure:

- Aboriginal children, families and communities thrive
- people are in charge of their own lives and feel a real sense of choice and control
- more children are safe at home with their families
- more people have safe, stable places to live.

Contributing to strategic priorities

| STRATEGIC PRIORITIES | Improve long-term outcomes (especially for Aboriginal children and their families)  | Act as stewards of the service system  | Improve client experience  | Develop a modern organisation  | Invest in our people  |
|--|---|--|--|---|---|
| HOW FUNDED CONTRACT MANAGEMENT CONTRIBUTES | <ul style="list-style-type: none"> ➔ Provides the policies and processes that support service providers and our contract managers to ensure services are achieving the outcomes agreed in contracts. ➔ Encourages continual improvement of relevant capabilities for service providers and our contract management capabilities, as well as the building and rebuilding of capacity. | | | | |
| | <ul style="list-style-type: none"> ➔ Contributes to an evidence base which supports and informs new service design, enabling client-centric and outcomes-focused services. ➔ Feeds collected data and insight into the commissioning cycle to assist with planning for programs and services, and their continual improvement. ➔ Supports sustainable procurement and underpins sustainable contracting by making better use of existing resources, with the goal of achieving the best value-for-money for the people of NSW. | | | <ul style="list-style-type: none"> ➔ Provides targeted training and support for our staff to enhance their contract management and related skills. | |
| | <ul style="list-style-type: none"> ➔ Supports service providers to achieve greater impact, by meeting local needs with flexible and innovative services, where possible. | <ul style="list-style-type: none"> ➔ Provides resources designed to be more engaging and easier to use, to assist our contract managers to work more effectively. | | | |

Commissioning for better outcomes

Commissioning is an approach centred on achieving the best possible outcomes for the people we serve, in the most efficient, effective and sustainable way.

At the core of all our work are our clients: people who need support to live better lives.

Commissioning is the way we work with service partners to design the service system needed to deliver the desired client outcomes. We directly engage and involve our clients in shaping the support we provide.

Under a commissioning approach, we are shifting from managing inputs and outputs to focusing on outcomes. The focus is on what is needed, how those needs are best met, and the most appropriate mode of delivery.

Commissioning enables DCJ to:

- Focus resources on longer-term positive outcomes for the people we serve, rather than crisis-driven expenditure
- Leverage innovation and value from both inside and outside government
- Adopt an investment approach to determine how our interventions will impact the lifetime costs of service users
- Create stronger partnerships with individuals and communities to assess whether services are meeting the intended outcomes efficiently
- Maintain more structured analysis of services, to ensure they are safe, well-run and avoid duplication
- Introduce more contestability to improve quality and challenge existing service providers
- Improve collaboration and information-sharing across agencies

DCJ as a commissioning agency

A commissioning approach puts clients and outcomes at the centre of service delivery. It leverages the strengths of the partnerships between government, non-government and private organisations to deliver the best outcomes for clients. At DCJ we apply this through five commissioning principles:



Client-centric

Having meaningful and culturally appropriate engagement with clients to ensure their feedback, needs and aspirations shape policy, service design and implementation



Outcomes based

Focusing on the outcomes to be achieved, and being flexible about who delivers the services and how they deliver them



Value for money

Delivering quality services that meet the needs and aspirations of our clients, in the most efficient and sustainable way



Integrated

Coordinating and integrating activities across DCJ, together with service partners, to support delivery that improves outcomes for clients



Evidence informed

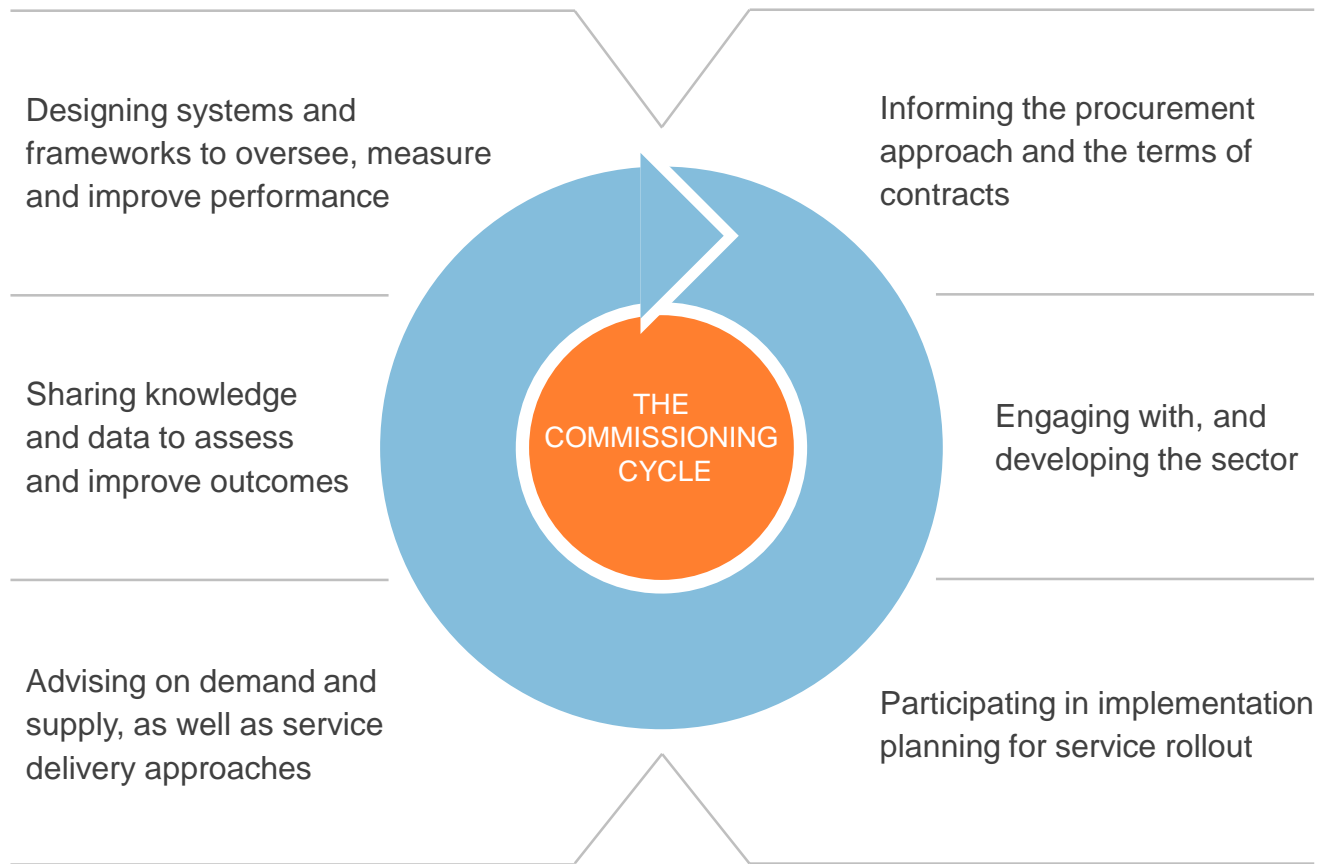
Learning from programs, innovative pilots, literature and evaluation to inform future design and practice

How funded contract management contributes to commissioning

Funded contract management plays an important role in commissioning.

It interacts with all steps in the commissioning cycle to influence how services and programs are designed, delivered and managed to facilitate better outcomes for clients.

Funded contract management contributes to commissioning by:



1.2

The Funded Contract Management Framework



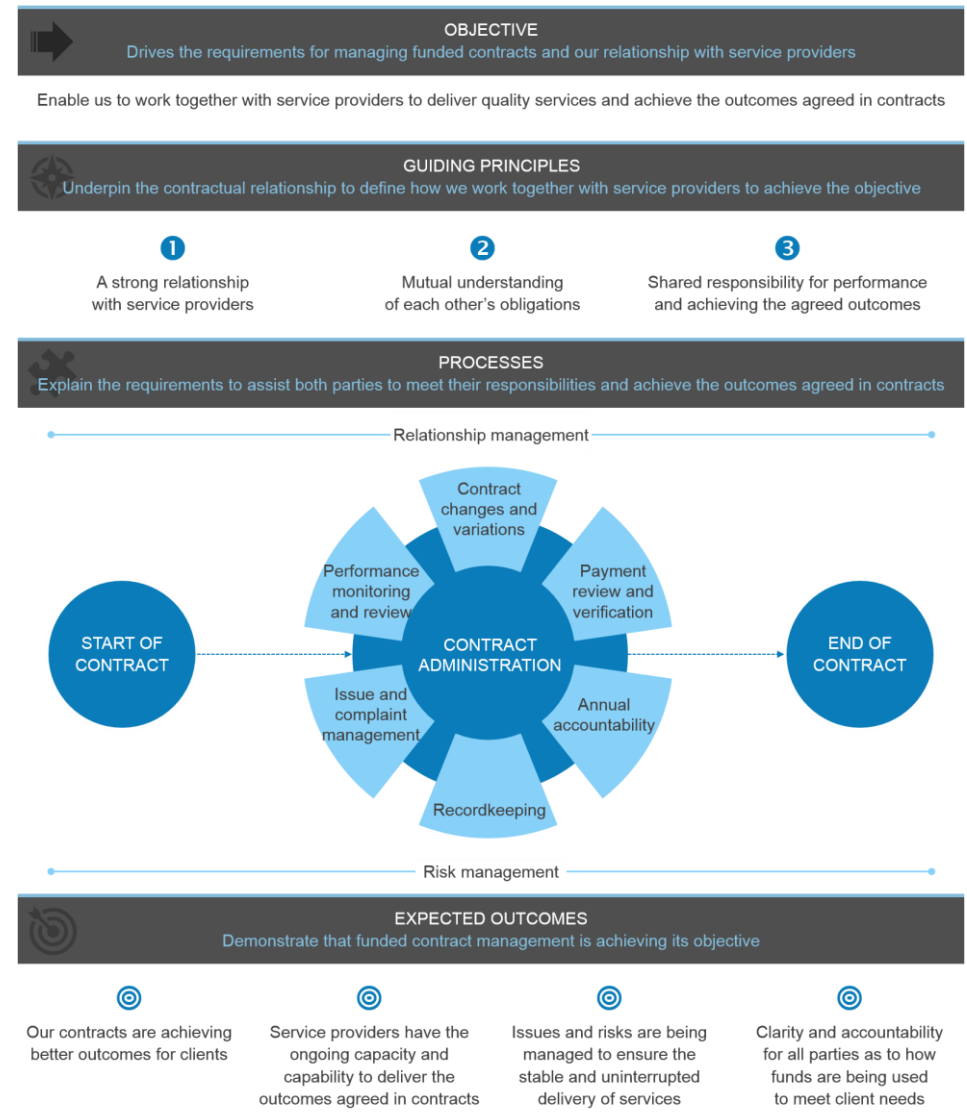
The Funded Contract Management Framework

The Funded Contract Management Framework describes how we deliver funded contract management.

The framework specifies the processes for delivering effective funded contract management to achieve the expected outcomes and meet the objective.

The graphic, at right, summarises the framework. This diagram is available in full size on the our website.

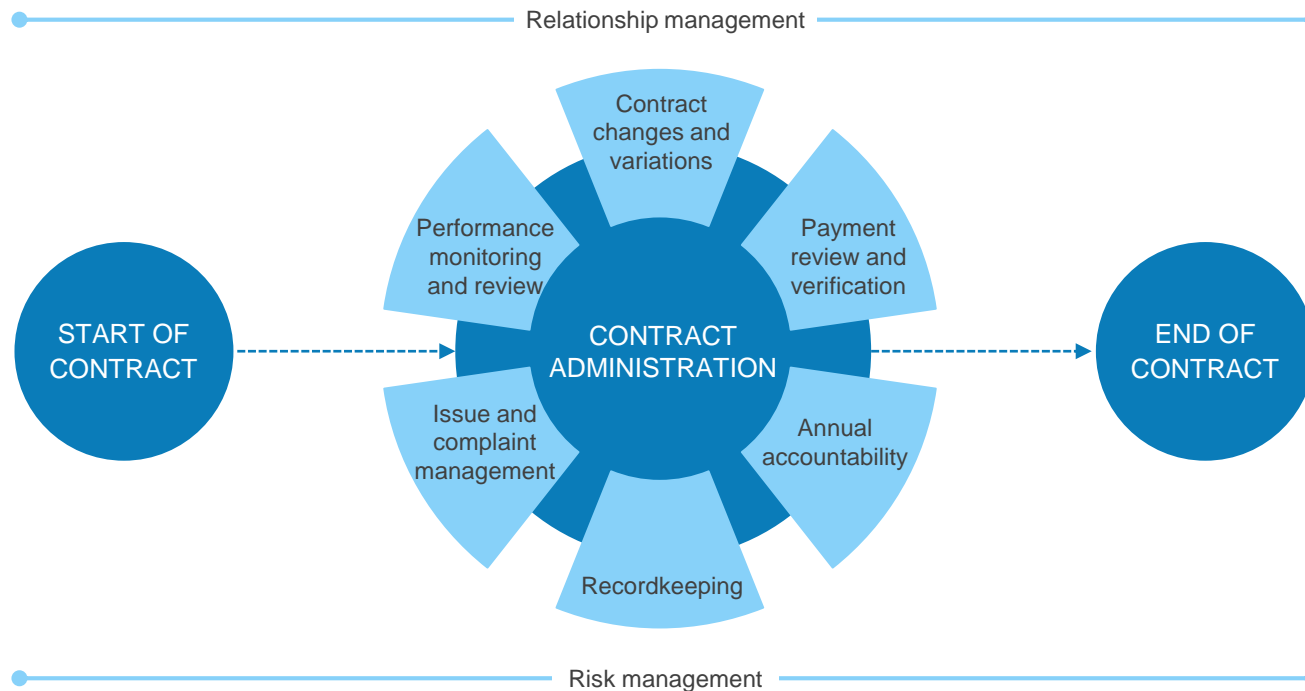
The framework is supported by the guiding principles for the relationship with our service providers, and how we work together to achieve better outcomes for individuals, families and communities.



The processes for managing funded contracts

The framework specifies the detail of the funded contract management processes. This ensures our service providers and staff have a common understanding of each other's roles and responsibilities, as well as the activities to be carried out.

The processes are depicted in the diagram, below.



The processes have been designed and implemented with emphasis on consistency in the way contracts are managed.

The processes are specified in a suite of standard and program-specific documents which:

- provide useful and relevant information to support service providers and our contract managers to meet their responsibilities and achieve the outcomes agreed in contracts
- have a modular structure, so that information is quick to access
- include tools and resources that are practical and easy to use.

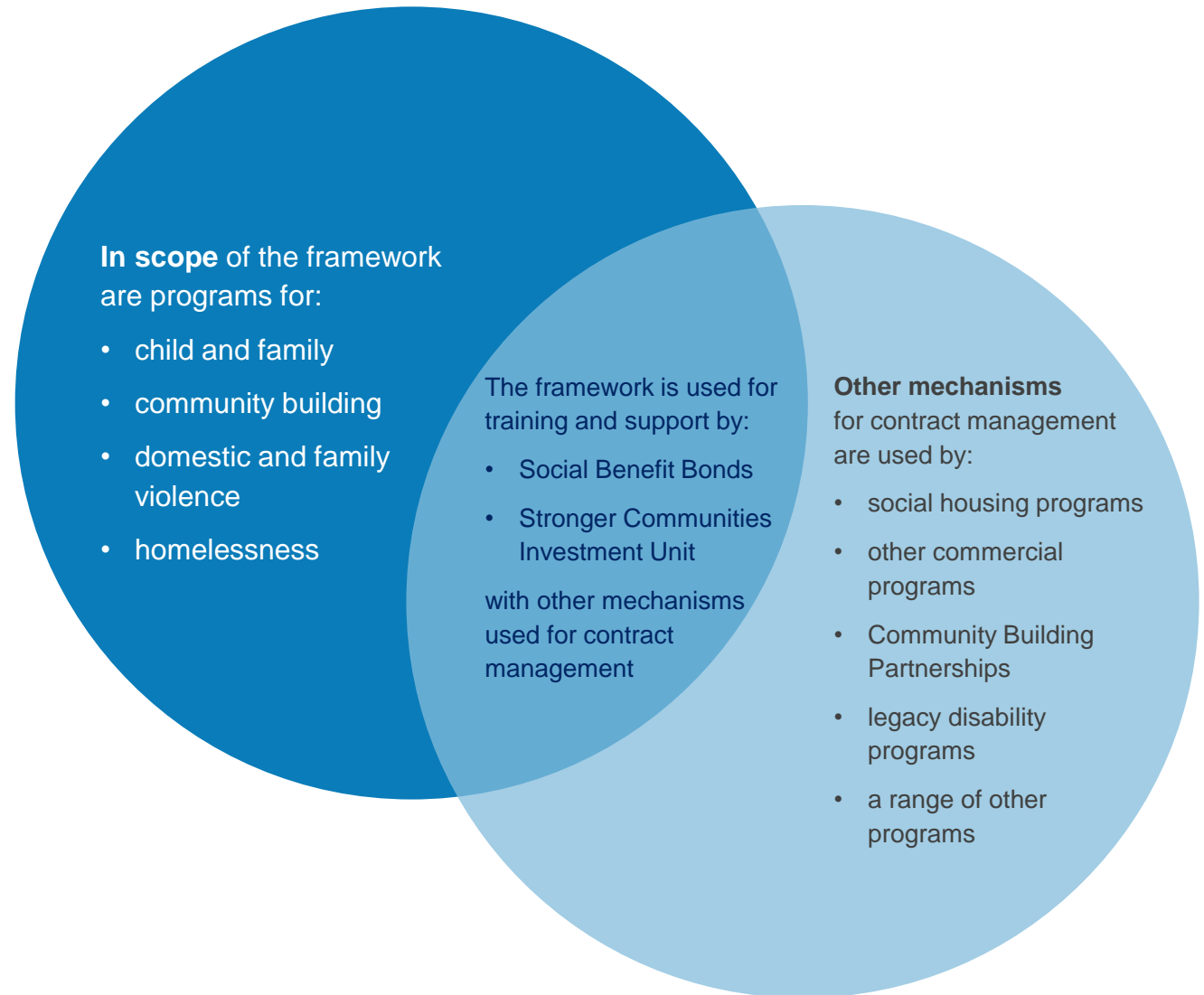
Later in this document, pages include stylised versions of the diagram to indicate which process the information relates to.

Scope of the Funded Contract Management Framework

At this stage, the contracts within scope for the Funded Contract Management Framework cover a subset of all funded services.

This scope is due to former organisation of the department.

While contracts for a number of programs are managed using mechanisms other than the Funded Contract Management Framework, some programs use the framework for training and support.



1.3

Stakeholders:
who's involved,
and how



About our clients and funded programs

We work with children, adults, families and communities to improve lives and help people realise their potential. Under the Funded Contract Management Framework, the programs enabling us to do this fall into four broad groups.

Services aimed at the wellbeing and safety of children and young people, with the goal of keeping families together. These include child, youth and family support, early intervention, family preservation and restoration, foster care, intensive therapeutic care, open adoption and guardianship.

Funding for a range of services to build capacity of communities. This includes programs of sector development and community strengthening; programs to support vulnerable and disadvantaged children, individuals, families and communities, including targeted earlier intervention; as well as provision of food, and supply of glasses and other vision aids.

Child and family

Domestic and family violence

Community building

Homelessness

Help and support for victims of domestic and family violence. This includes reducing the risk to women and children experiencing domestic and family violence, and preventing their homelessness; preventing escalation among high risk groups; providing crisis support; and addressing men's behaviour change.

A vital part of the service system that supports people who are experiencing homelessness or at risk of becoming homeless. These programs assist people with specialist homelessness services including support services, temporary accommodation and other services aimed at reducing homelessness.

About our service partners and service providers

Service partners are individuals, groups and organisations external to DCJ that contribute to designing services.

Service providers are the organisations contracted by us to deliver funded services on behalf of the NSW Government.

Our service partners contribute their local and specialist knowledge, as well as front-line expertise and personal experience, throughout the commissioning cycle. This enables us to design the right programs and find the best service providers for the job.

However, there is no typical service provider, and we contract a broadening range of organisations. The variety in scale, business structure and location of our service providers:

- means greater agility and flexibility to deliver innovative and effective service responses
- brings unique perspectives that contribute to the diversity of the sector.

We acknowledge and value these strengths as essential to the viability and functioning of the service system.

| SERVICE PARTNERS | SERVICE PROVIDERS |
|--|---|
| | <ul style="list-style-type: none"> • Non-government organisations, including peak organisations • Other government agencies |
| <ul style="list-style-type: none"> • Community groups • Individual specialists and experts in their field • Clients | |

Our service providers differ markedly in size and nature. Whether they are a small community organisation or a large national organisation, each makes an important contribution to the service sector.



Key management and delivery roles and their responsibilities

Funded contract management depends on individuals and organisations from across the service sector.

This page lists the keys roles and summarises their responsibilities in managing funded contracts and delivering funded services. [Full details of the roles and responsibilities](#) are available on our website.



DCJ Partnerships directorate

- Develop contract management policy.
- Design and implement procedures and systems.
- Provide support to district colleagues.
- Oversee the funded contract management system.
- Implement prudential controls and risk management.
- Liaise with peak organisations and program areas.



DCJ contract manager

- Manage the contract relationship with service providers, and ensure contractual obligations are being met.
- Keep all stakeholders informed.



DCJ lead contract manager

- Manage the corporate relationship with the service provider, on our behalf.



DCJ line manager

- Provide our contract managers with guidance in their day-to-day work, and ensure they have adequate training, support and resources.



DCJ program manager

- Manage the operational success of the program area.
- Consult and engage with peak organisations and regulators, as necessary.



Service provider

- Deliver contracted services to our clients.
- Fulfil all terms and conditions agreed in the contract with us.



Peak organisation

- Represent members in the planning and implementation of our strategic initiatives and reforms.
- Provide input for the design of programs
- Advocate on members' behalf.

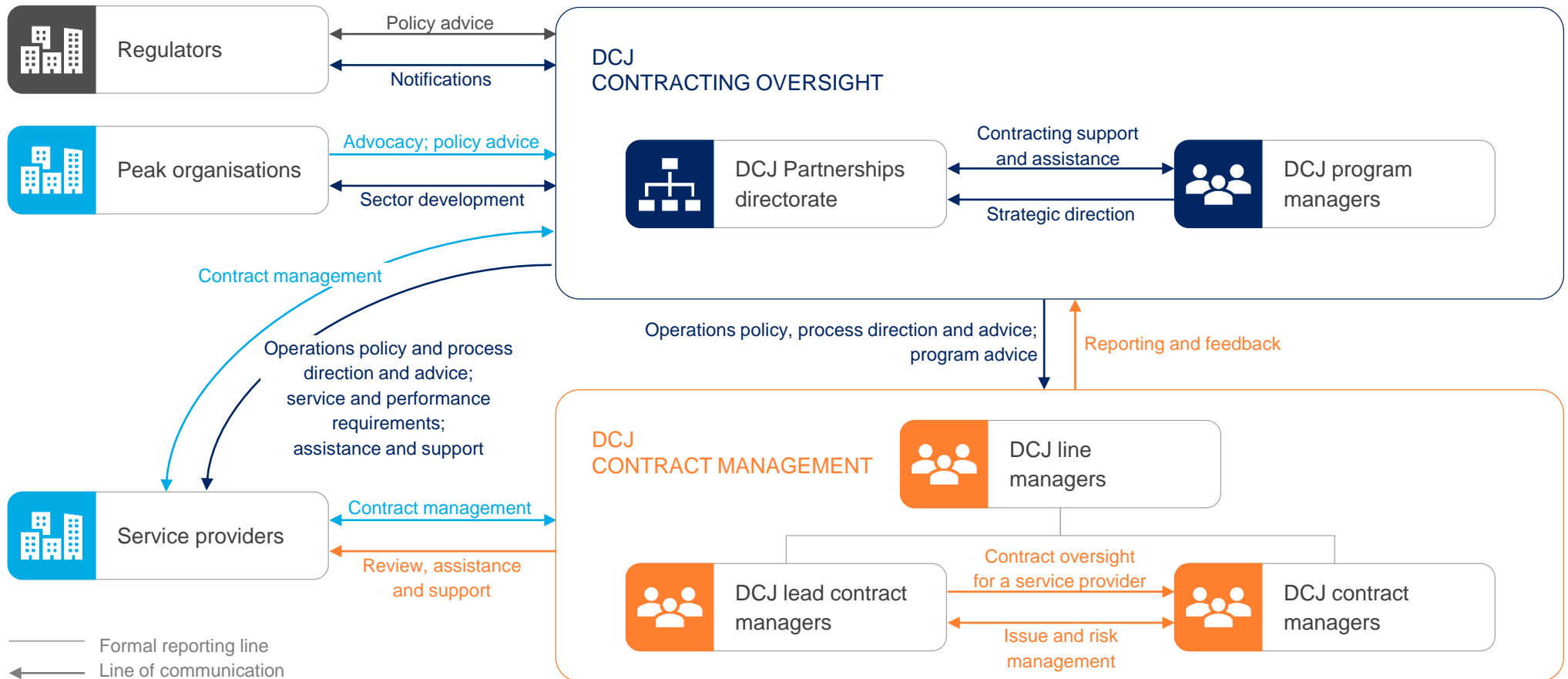


Regulator

- Provide additional assurance of service providers' operations, as a complement to contract-related reporting.
- Liaise with program areas, as required.
- Administer recognition of service providers: accreditation, certification, registration and licensing.

Key relationships for managing funded contracts

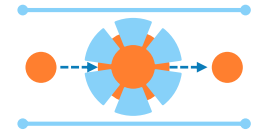
Consultation, collaboration and knowledge-sharing characterise the communication relationships between the parties involved in managing funded contracts. The diagram highlights other key aspects of the relationships with and within the department.



2.0

Contracting documents





The types of DCJ contracts

DCJ is in the process of transitioning funded services to a standard contract used by all NSW Government agencies.



Currently, most service providers operate under the *Funding Deed* and *Program Level Agreement* (PLA).

The PLA generally includes one or more schedules, which are read as part of the document. The schedules differ between programs, and may include:

- *Program Guidelines* or similar program-related documents
- any implementation plan approved by us
- a *Service Delivery Schedule*.

We (and all NSW Government agencies) began using the *Human Services Agreement* (HSA) from 1 August 2017. The HSA is a standard contract that will make it easier for service providers to do business with us by streamlining contracting arrangements and promoting consistency across the NSW Government.

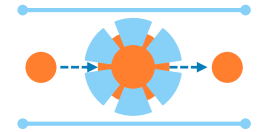
The HSA contains two parts:

1. *Agreement for Funding of Services – Standard Terms*. This is standard for all NSW Government human services contracts.
2. *Agreement for Funding of Services – Schedule*. This has been tailored to suit our purposes.

The majority of service providers will continue to operate under the *Funding Deed* and PLA until those contracts expire in 2020.

Programs will progressively transition to the HSA after 2020.

About DCJ contracts for funded services



One *Funding Deed* is issued to each service provider. However, a PLA is issued for each service for which a service provider is contracted.

In contrast, the *HSA Standard Terms* and *Schedule* are both issued for each service for which a service provider is contracted.

Importantly, in both cases, the two documents:

- form the contract
- must be read in conjunction with each other.

Funding Deed and PLA

The *Funding Deed* sets out:

- the terms and conditions of the contract
- details about who can access the service
- workforce, governance, data collection, financial management and other requirements.

The PLA specifies the services to be provided for the relevant program, and includes:

- the funding amount, and service start and end dates
- the geographic coverage for the service and details of the district administering the service
- service levels — the maximum level of services that the service provider will provide under the PLA.

HSA

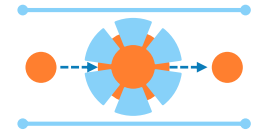
The *HSA Standard Terms* sets out the terms and conditions of the contract.

The *HSA Schedule* specifies the services to be provided, similar to the PLA.

However, the *Schedule* includes supplementary conditions for DCJ contracts, including reference to:

- the *Program Specifications*
- accounts and records
- funds and assets
- privacy
- location-based reporting, data sharing and data collection
- research and evaluation
- extensions and termination
- reasonable access to services
- audits.

Program guidelines and specifications



One of the key documents supporting the contract is the *Program Guidelines (for a Funding Deed)* or *Program Specifications (for the HSA)*. Specific to each program, they describe how funded services are to be implemented in NSW. Compliance with the guidelines or specifications is contractually required.

Program Guidelines and *Program Specifications* ensure that the purpose, parameters and deliverables of the program are clear, enabling both parties to have a common understanding of, and to focus on what is being contracted and why.

Importantly, the guidelines or specifications define qualitative performance measures for a program, as well as the expected results.



Service provider performance is assessed against quantitative measures outlined in the contract and qualitative measures outlined in the guidelines.

We rely on service providers to collect relevant data about service delivery outcomes for the purposes of assessing performance. Service providers submit regular data or performance reports to us, according to the requirements of the program guidelines or specifications.

The key indicators in the guidelines form the basis of regular review of qualitative performance requirements by our contract managers, program managers and service providers.

Measurement of qualitative performance results is ongoing. It enables us to gauge where there may be gaps in service delivery and identify opportunities for improvement.

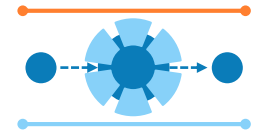
This is not only important for the program, but for the entire commissioning cycle.

3.0

Relationship
management



Managing the relationship with service providers



Relationship management is the most significant factor in assuring contract success and achieving the agreed outcomes for clients.

We recognise that each service provider is different and requires tailored engagement.

At the extremes, there are vast differences in capacity and capability between service providers. What's more, contracts range in value from several thousand dollars to tens-of-millions, with significant variance in the number and value of contracts held by individual service providers.

Increasingly, we are taking a more proportionate approach to funded contract management, working towards this goal as part of the continual improvement of our processes.

This approach takes into account:

- the variances in size of our service providers
- the nature of their organisations
- the number of contracts they hold
- the levels of funding they receive.

To ensure service providers are supported and contracted services are being delivered as expected, we engage, communicate and collaborate with service providers in the following ways:



Performance monitoring and review



Contracting meetings



Email updates from DCJ



Newsletters from DCJ

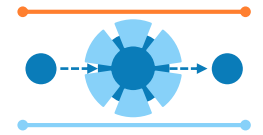


Working groups



Webinars, training and online resources

While the relationship is governed by contract, the means to successfully working together are described in the [Charter for funded contracting](#).



Guiding principles for working together

Contracts define the responsibilities and obligations for DCJ and the organisations we contract to deliver services.

This means a positive working relationship with service providers is crucial to a contract's success, and is key to guiding the partnership towards achieving better outcomes for individuals, families and communities.

Three guiding principles set the foundation for this partnership and working together.

1

A strong relationship

with service providers

2

Mutual understanding

of each other's obligations

3

Shared responsibility

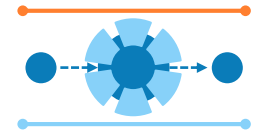
for performance and achieving the agreed outcomes

The principles are founded on the shared values of:

- service
- integrity
- accountability
- trust
- conducting business in an ethical manner.

Applying the principles and their values requires the commitment of both parties.

Understanding the relationship and committing to its success



We share responsibility with service providers for helping clients achieve the outcomes agreed in contracts.

Our contracts specify the multifaceted nature of the relationship; the governance, financial management and service delivery requirements; and the funding.

Both parties are responsible for understanding:

- how the contract operates
- each other's obligations under the contract
- the performance requirements to be met.

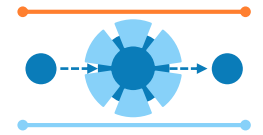
Both parties share responsibility for the performance of the contract, which includes:

- delivering what each has agreed
- keeping better outcomes for clients as the focus of the contract arrangements
- ensuring good governance and financial management as a means to smooth service delivery.

To be successful, both parties must commit to:

- collaboration, open communication and consultation
- respect for each other's capacity, capabilities, interests, values and roles, while acknowledging these may lead to differences of opinion
- working together to resolve differences, with the understanding that differences are not obstacles to success.

A positive working relationship is crucial to the effective delivery of services to our clients, and is best achieved with a strengths-based approach.



A strengths-based approach, and how it works in practice

A strengths-based approach means focusing and building on each other's and the partnership's strengths to achieve the outcomes agreed in the contract.

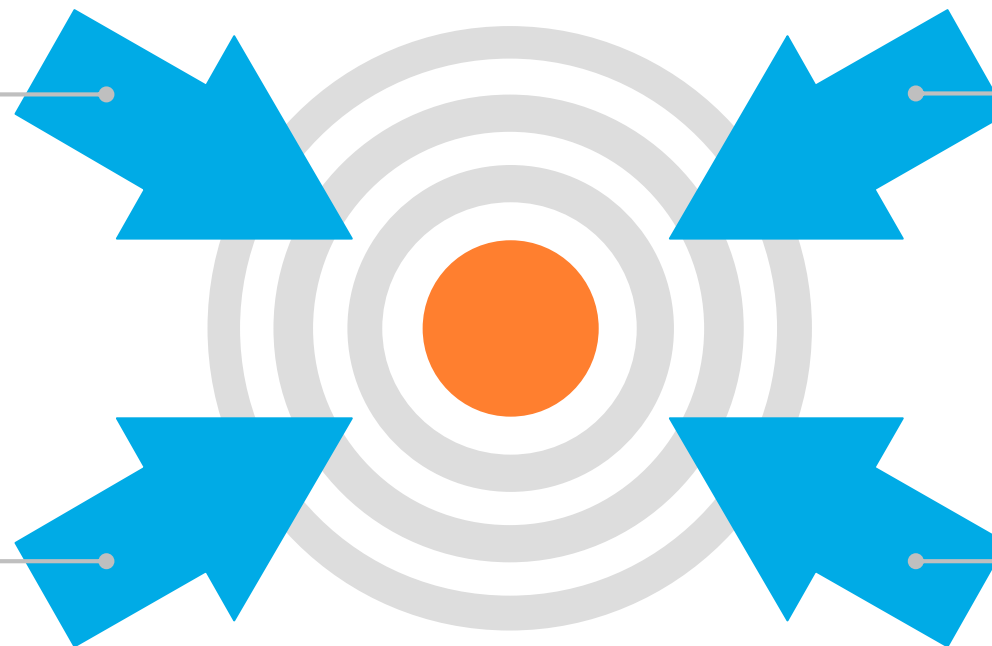
The ability to work with each other from a strengths-based perspective means to:

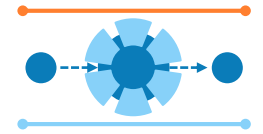
Guide and shape engagement in the delivery of services by being transparent about each other's responsibilities and obligations, and working together to refine services and resolve issues

Influence and improve capability, capacity and independence of service providers by providing assistance, support and direction, when required

Encourage continual improvement of funded contract management by working collaboratively to be more innovative and responsive to client needs, as well as giving each other open and honest feedback

Improve cultural competency and the ability to support diversity in contract managers of both parties by sharing relevant knowledge and developing innovative ways of working to succeed at what we do





The benefits of a strengths-based approach

A strengths-based approach acknowledges each other's unique set of strengths and limitations, and works towards building on capacity rather than deficiency.

A strengths-based approach allows us to work together with service providers, without compromising either party's unique capabilities and contribution.

This does not mean ignoring problems. A strengths-based approach is cognisant of gaps in capability, and communicates and addresses them to support continual improvement.

By following a strengths-based approach, both parties aim to build resilience and develop robust systems of operating.

As an organisation's resilience grows, improvements in performance also grow, to the benefit of our clients, our organisations and the sector. Integral to this is being transparent about risks to service delivery.

The ability to manage these complexities is critical to effective contract management. In taking a strengths-based approach to deal with the complexities, we can strengthen the service sector and improve outcomes for clients.

However, this requires each party's commitment to working together. The [*Charter for funded contracting*](#) articulates our commitment to service providers, as well as what we expect of them.

4.0

Risk management



Managing risk to funded services

We, and the service providers we contract, have a duty of care in ensuring our organisations are healthy and well run, for the ongoing viability of the service system.

It is up to us and our service providers to have controls in place to deal with risk.

This means both parties must plan for, and guide risk management strategies that ensure:

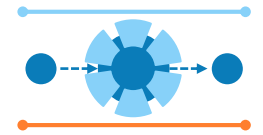
- funded services are delivered as contracted
- service providers remain viable and have robust governance and financial management practices
- the service system can meet the ever-changing needs of the individuals, families and communities we serve.

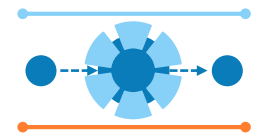
And both parties must put in place activities and actions to regularly assess risks, with a view to eliminating them or minimising their impact.

We use a simple framework as the basis for risk management of funded contracts. It is designed to meet the requirements of commissioning as well as the varied requirements of funded programs.




The framework addresses risk at three levels — contract, corporate and system — and outlines the responsibilities for identifying, treating and monitoring risk at each level.

The framework is depicted on the next page.

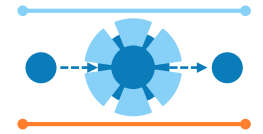




Framework for risk management of funded contracts

| |  Contract-level risk Risks related to service delivery and/or clients |  Corporate-level risk Risks related to service provider’s governance and financial management |  System-level risk Risks related to DCJ and the funded contract management system |
|----------------------------|---|---|---|
| Risks identified by | Service provider DCJ contract manager Regulator | Service provider DCJ contract manager DCJ lead contract manager Regulator | Anyone Also discerned from service-level and organisation-level risks |
| Risks treated by | Service provider or DCJ program area | Service provider | Relevant DCJ area |
| Risks monitored by | Service provider DCJ contract manager DCJ Partnerships directorate | Service provider DCJ lead contract manager DCJ Partnerships directorate | DCJ Partnerships directorate |

Embedding risk controls in the Funded Contract Management Framework



The framework for risk management of funded contracts provides a robust and systematic approach to managing risk throughout the term of a contract.

This has guided the design, development and implementation of the Funded Contract Management Framework and its processes.

From our perspective, embedding risk controls in the processes of the Funded Contract Management Framework is one way we safeguard the service system.

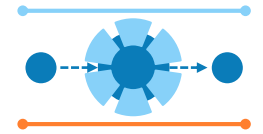
These processes include:

- relationship management
- performance monitoring and review, including planned and unplanned audits
- payment review and verification
- issue and complaint management
- annual accountability, including annual performance and risk assessments.

Each has been crafted to be proportionate to the risks associated with funding and contract managing the range of organisations which provide services on behalf of the NSW Government.

The aim is to reduce the risk of poor performance, dissatisfaction, disruption of service and other adverse events by maximising the effectiveness of funded contract management.

A proportionate response to risk



Risk controls implemented for funded contract management are designed to be proportionate to the risks associated with the service system.

We do our best to balance the need to be rigorous without being onerous.

While we may sometimes err on the side of rigour, it's because we are accountable to Government, regulators and, ultimately, the people of NSW.

The multifaceted nature of the service system means there are multiple risks to consider across the contract, corporate and system levels.

Some of the factors contributing to risk, both individually and in combination, are:

- the nature of the program and the services being delivered
- the size of service provider organisations, their capacity and capabilities
- the number and value of contracts held by service providers
- experience delivering services funded by government
- record of performance.

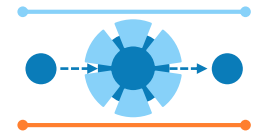
To implement controls across all levels of the framework for risk management, we use the Three Lines of Defence model.

The model is designed to:

- specify the principal activities for prudential control and risk management of the funded contract management system
- give our senior managers visibility of the risk monitoring and assurance practices within the funded contract management processes.

The three lines of defence, and their associated levels of assurance (tiers), enable us to respond to any matter proportionate to the risk posed to the funded service, the service provider and/or the service system.

The model is depicted on the next page.



The Three Lines of Defence model used by DCJ

1 FIRST LINE OF DEFENCE

Manage risk

Take ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

Tier 1. assurance

Contract management

- Contract documents
- *Program Guidelines/Specifications*
- Funded Contract Management Framework
- Payment systems

2 SECOND LINE OF DEFENCE

Oversee prudential control, risk management and compliance

Monitor and facilitate implementation of effective prudential control and risk management practices, and enable risk-related information to be reported to stakeholders.

Tier 2. assurance

Prudential review

Tier 3. assurance

Planned audits and reviews

Tier 4. assurance

Contract audit, review and investigation

3 THIRD LINE OF DEFENCE

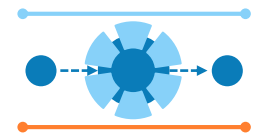
Provide independent assurance

Provide assurance to the DCJ board, senior managers and stakeholders that robust quality systems are in place to manage risk, and that contentious issues are managed fairly and transparently in proportion to the level of risk.

Tier 5. assurance

Independent assurance

- Internal and external audits
- Reporting to DCJ Risk and Audit Committee
- Liaison with and reporting to regulatory agencies



The risk controls implemented at each assurance tier

| | 1 FIRST LINE OF DEFENCE | 2 SECOND LINE OF DEFENCE | | 3 THIRD LINE OF DEFENCE | |
|------------------------|--|--|--|--|---|
| | Tier 1. Contract management | Tier 2. Prudential review | Tier 3. Planned audits and reviews | Tier 4. Contract audits, reviews and investigations | Tier 5. Independent assurance |
| RISK CONTROLS IN PLACE | <ul style="list-style-type: none"> Annual accountability process for service providers <ul style="list-style-type: none"> Financial acquittal Focus areas Performance and risk assessment Contract assurance health checks Ongoing contract management, performance monitoring and review | <ul style="list-style-type: none"> 100% financial review of service providers for targeted programs Reviews of service providers identified as potentially high risk (arising from Tier 1 assurance) | <ul style="list-style-type: none"> Planned audits and reviews of: <ul style="list-style-type: none"> all annual performance and risk assessments rated 'High' or 'Very High' selected annual performance and risk assessments rated 'Low' or 'Medium' <i>Performance Improvement Plans</i> in place during the previous 12 months | <ul style="list-style-type: none"> Audits and reviews in accordance with: <ul style="list-style-type: none"> clause 5. of the <i>Funding Deed</i> clause 15. of the HSA Investigation of allegations of misconduct Contracting complaint management Referral of contracting issues to oversight and regulatory agencies | <ul style="list-style-type: none"> Internal and external audits, as required |

5.0

Contract administration

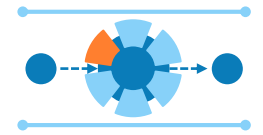
| | Page |
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| 5.2 Payment review and verification | 47 |
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5.1

Performance monitoring and review



Performance monitoring



Performance monitoring is integral to the funded contract management processes.

This ongoing interaction between our contract managers and service providers ensures funded services are being delivered as agreed, and that risk to service delivery is being managed.

When we use the term 'performance', we mean how well a service provider is delivering the outcomes agreed in their contract with us. In a broader sense, we also mean a service provider's ongoing capacity and capability to deliver stable, uninterrupted services, at the level of quality specified in the relevant *Program Guidelines* or *Program Specifications*.

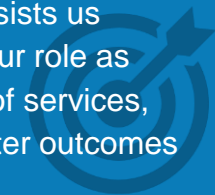
Our approach to monitoring performance ensures funded services address the needs of clients and deliver the agreed outcomes.

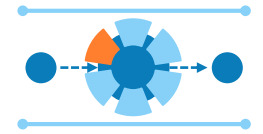


This ensures government funds are being used by competent and accountable service providers to assist those in need.



Overall, this assists us to succeed in our role as commissioner of services, and enable better outcomes for clients.





The three methods of performance monitoring used by DCJ

Regular monitoring

Regular performance monitoring forms part of our ongoing engagement with service providers.

It is used to:

- review progress and measure contract performance
- allow service providers to showcase achievements and discuss them with our contract managers
- identify performance issues as early as possible, so that our contract managers can work with service providers to determine and agree the actions required to resolve them.

Annual assessments

Annual performance and risk assessments are used to assess overall performance, and obtain a snapshot of the strength and viability of the funded services sector.

Health checks

Contract assurance health checks are used when needed to:

- respond to significant issues
- assess the suitability of new service providers or proposed subcontractors
- determine eligibility for new or novated contracts following a merger, acquisition, amalgamation or similar change of control.



Reviewing performance

We rely on our service providers to collect relevant data about service delivery for the purposes of measuring outcomes and assessing performance.

In addition, our contract managers review performance to ensure the ongoing capacity and capability of service providers to deliver stable, uninterrupted services and deliver the outcomes agreed.

Service providers regularly submit performance data or reports to us, according to the requirements of the relevant *Program Guidelines* or *Program Specifications*.

Our contract managers review the reports and data to:

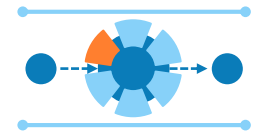
- determine the service has met agreed targets, deliverables and/or milestones
- compare performance over reporting periods
- verify services are being provided at the level agreed in the contract.

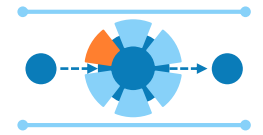
In addition to regular performance reporting, every document received, and each site visit and telephone contact contributes to the stock of information that we hold about service providers and their performance.

When considered in relation to each other, the individual pieces of data provide valuable insight for our contract managers when reviewing service provider performance and determining:

- if strategies and plans for achieving agreed performance targets need to be adjusted or refined
- whether action needs to be taken to resolve an issue or reduce the likelihood of an identified risk
- the two parties can work together to make the necessary improvements.

When reviewing performance — whether as part of regular monitoring, or for an annual assessment or health check — our contract managers consider a service provider's governance, financial management and service delivery.





The three domains considered when reviewing performance

Governance

It is important that service providers have strong governance in place to support their activities and ensure their viability as an organisation.

Our contract managers review and discuss service providers' governance arrangements at regular contracting meetings. This includes checking that policies and procedures have been developed and implemented to deal with matters such as complaints, fraud and corruption, and risk.

Annual performance and risk assessments include criteria to assess the governance arrangements known to be in place, and whether there are any issues to be resolved.



Financial management

Service providers must have policies and procedures in place to ensure sound management of their finances, assets and liabilities.

Our contract managers consider matters related to financial management:

- as part of regular contracting meetings
- during the process of reviewing and certifying payments
- during the annual accountability process.

For annual performance and risk assessments, our contract managers check that service providers have sound financial health, based on the financial information reported for their annual accountability.



Service delivery

Service providers regularly report whether their organisation is meeting performance requirements and is providing services within its geographical boundaries, as agreed in the contract.

Our contract managers review service delivery performance, as well as consider an organisation's connection with the broader service system and evidence of child safety compliance.

Reviewing service delivery occurs while:

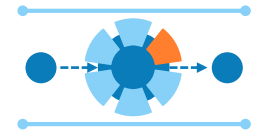
- reviewing regular performance reports from service providers
- conducting annual performance and risk assessments
- dealing with issues as they arise.



5.2

Payment review and verification





Payment review and verification

Scheduled quarterly payments are reviewed by our contract managers to confirm that service providers are entitled to receive their payment.

Before reviewing quarterly payments, our contract managers consider service providers' performance during the quarter. In addition, before proceeding with the third-quarter payment, they consider service providers' annual accountability outcomes.

Our contract managers review scheduled quarterly payments to decide whether to:

- release the payment to the service provider
- withhold part or all of the payment
- put on hold the whole of the payment.

Part of a payment may be withheld when unspent funds are identified during the annual accountability process.

The whole payment may be withheld when performance issues are identified:

- during contracting meetings and other engagement with the service provider
- following review of performance data or reports
- during a contract assurance health check
- through the annual accountability process.

Payments may be put on hold for reasons including performance issues being identified, or the service provider failing to:

- comply with the contract or special conditions
- submit performance data or reports
- submit annual accountability documents.

For programs with unit-based funding, we pay service providers based on the services actually provided. This means that while a service provider may be contracted to provide a certain number of units, payment is based on the number of units actually provided rather than the number of units agreed to be provided in the contract.

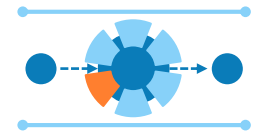
From time to time, we will reconcile the funds paid to service providers against the level and number of services provided during the period in question. If more funds were provided than services delivered, then service providers may be required to repay funds, depending on the program.

This is a key measure aimed at achieving value for money, and encouraging service providers to achieve the agreed performance requirements.

5.3

Issue and complaint management





Managing issues related to contracting

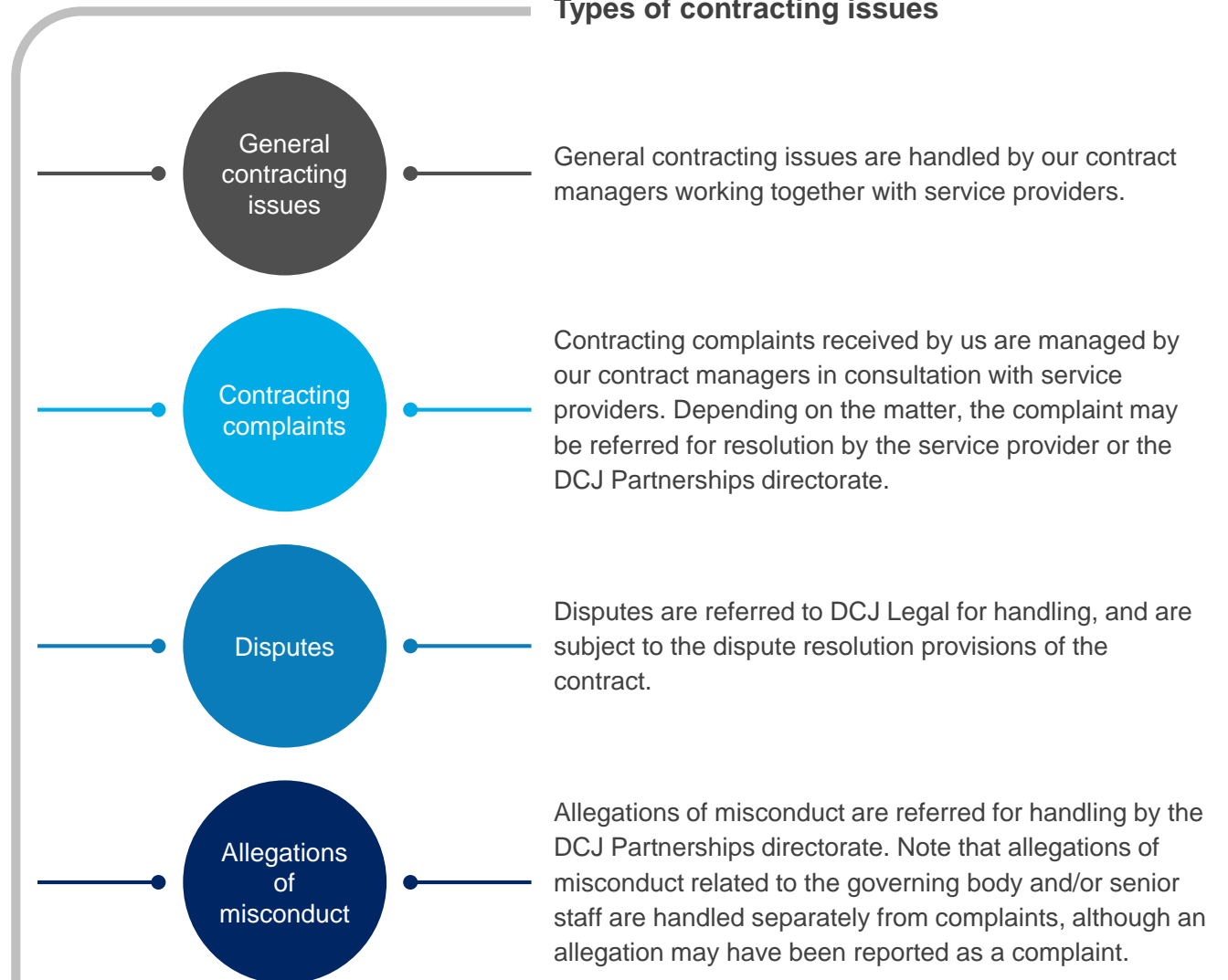
Issues are raised or identified during the activities of contract management, as well as through information given to, or obtained by us.

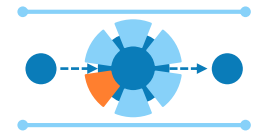
The aim is to investigate and respond to contracting issues so that, together, DCJ and service providers:

- preserve service providers' ability to deliver services
- achieve the best outcomes for contracts
- maintain a positive contracting relationship.

Our contract managers investigate and respond to issues as soon as they become aware of them, using a triage process to determine the type of contracting issue and who manages it.

Types of contracting issues





Resolving general contracting issues

Our contract managers investigate and respond to a range of general contracting issues.

Depending on its nature and who initiates it – a service provider, DCJ or another government agency – a general contracting issue is resolved by either us or a service provider.

If the matter involves a service provider, and if warranted by the issue and/or its severity, the contract manager and other relevant DCJ representatives may meet with the service provider to clarify the matter and discuss options for resolution.

For resolution by us

When a contracting issue must be resolved by the department, the contract manager discusses the matter with DCJ stakeholders to determine the level of awareness of the issue and to gain an understanding of any measures already being taken to resolve it.

If the matter involves a service provider, the contract manager ascertains whether the issue is having a detrimental impact on the relationship with DCJ and/or what impact this may be having on service delivery.

To resolve the issue, the contract manager determines whether a formal or informal action plan is required, and whether to involve or refer the matter to other areas of the department. Once the plan is implemented, the contract manager keeps the initiator of the issue, and all other stakeholders, informed of progress.

For resolution by service providers

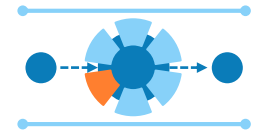
When a contracting issue must be resolved by a service provider, we are committed to working with them to assist with issue resolution.

This means:

- consulting with them to determine whether a formal or informal action plan is required
- collaboratively developing and implementing the plan
- following up and reviewing progress during regular contracting meetings
- providing assistance if the service provider asks for it
- offering assistance if our contract manager believes it is appropriate.

Our contract managers make sure service providers get the assistance they require from the district or another area in the department.

Formal plans for service development and performance improvement



Service Development Plans (SDP) and Performance Improvement Plans (PIP) are formal agreements between DCJ and a service provider to identify the actions the service provider will take to resolve issues or make service improvements within an agreed timeframe.

Our contract manager and the service provider's representative work together to develop the plan.

The decision to develop and implement an SDP is at the contract manager's discretion, in consultation with the service provider, to address any of the following:

- general service delivery improvements
- minor or moderate issues related to governance, financial management and/or service delivery
- an annual performance and risk assessment that rates 'low' or 'medium' overall.

However, an SDP is mandatory to address an annual performance and risk assessment that rates 'high' overall.



The decision to develop and implement a PIP is at the contract manager's discretion, in consultation with the service provider, to address either:

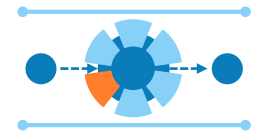
- an annual performance and risk assessment that rates 'high' overall (instead of developing an SDP)
- failure to participate or resolve issues identified in an SDP.

However, a PIP is mandatory to address either:

- a significant issue related to governance, financial management and/or service delivery
- an annual performance and risk assessment that rates 'very high' overall.

The need to develop and implement a PIP indicates to us that a service provider has significant issues which pose a high to very high risk to funded service delivery.





Managing contracting complaints

Contracting complaints are a valuable source of feedback about the quality of service to clients. They may sound a warning about issues with a funded service, and they provide an opportunity for DCJ and service providers to improve service delivery policies and practices.

We handle contracting complaints based on the DCJ complaints policy and the NSW Ombudsman's best-practice guidelines, and expect service providers to do the same.

Generally, any contracting complaints received from the public about a service provider organisation or its staff are dealt with by the service provider. This includes complaints:

- about casework practices
- about service delivery
- that relate to a service provider's internal management practices.

If we receive these types of complaints, we refer them to the service provider.

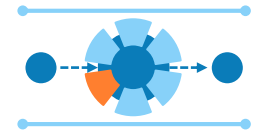
Complaints about:

- behaviour of our staff
- the handling of a complaint by a service provider
- a service provider denying access or providing insufficient service to clients
- a service provider complaining about another service provider

are handled by us.

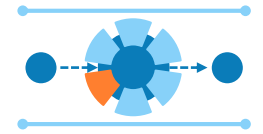
We accept anonymous complaints. However, we may find it difficult to thoroughly assess and respond to a matter if there is insufficient detail. In this circumstance we:

- will not be able to communicate with the complainant to acknowledge receipt of the complaint or obtain further information
- may not be able to investigate the complaint or may not be able to investigate it as thoroughly
- will not be able to report the outcome to the complainant.



The five stages of contracting complaints handling








Timeframes for handling contracting complaints

For complaints, the primary focus is managing the expectations of the complainant and, where possible, achieving their requested outcomes.




This activity is time-constrained, based on the NSW Ombudsman's best-practice guidelines. The important timeframes for interacting with the complainant and service provider are listed at right.

Contracting complaints may raise other contracting issues, which are dealt with separately to the complaint. However, the timeframe for resolving these issues is variable. Depending on their nature, the issues may take weeks, months or even years after the complaint is closed to be resolved, and are subject to the standard process for managing general contracting issues.

Interaction with the complainant

| | | |
|---|---|---|
|  | Within 5 business days of receiving the complaint | We send written acknowledgement to the complainant of receipt of the complaint. |
|  | Within 20 business days of acknowledgement , and we are unable to resolve or close the complaint within 20 business days | We send written notification to the complainant of the reasons for delay and updates of progress. |
|  | Within 25 business days of receiving the complaint | We send written notification to the complainant of closure of the complaint. |

Interaction with the service provider (when not the complainant)

| | | |
|---|--|---|
|  | Within 5 business days of receiving the complaint | We send written notice to the service provider that we have received and are investigating a complaint about them. If required, we request further information, which must be returned within 5 business days. |
|  | Within 5 business days of receiving requested information from the service provider | If applicable, we respond to the service provider with our assessment of the information provided (that is, its adequacy in relation to what you requested) and outline how we will communicate with the complainant. |
|  | Within 25 business days of receiving the complaint | We send written notice of closure to the service provider, and confirm any actions to be taken. |

5.4

Annual
accountability

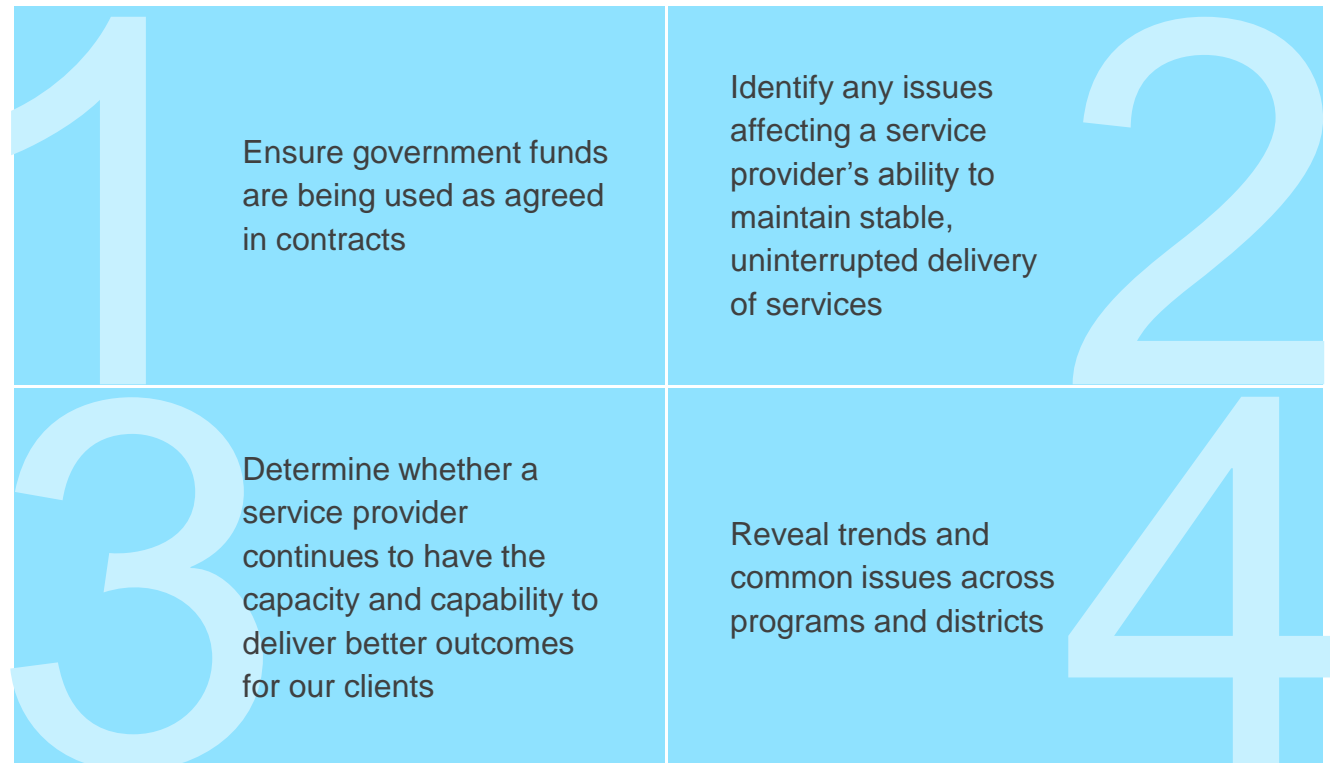
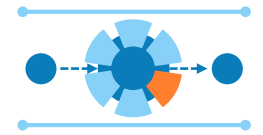


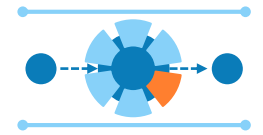
Annual accountability

Annual accountability is a mandatory process that ensures funded service providers are accountable for the funding they receive and the services they are contracted to deliver on behalf of the NSW Government.

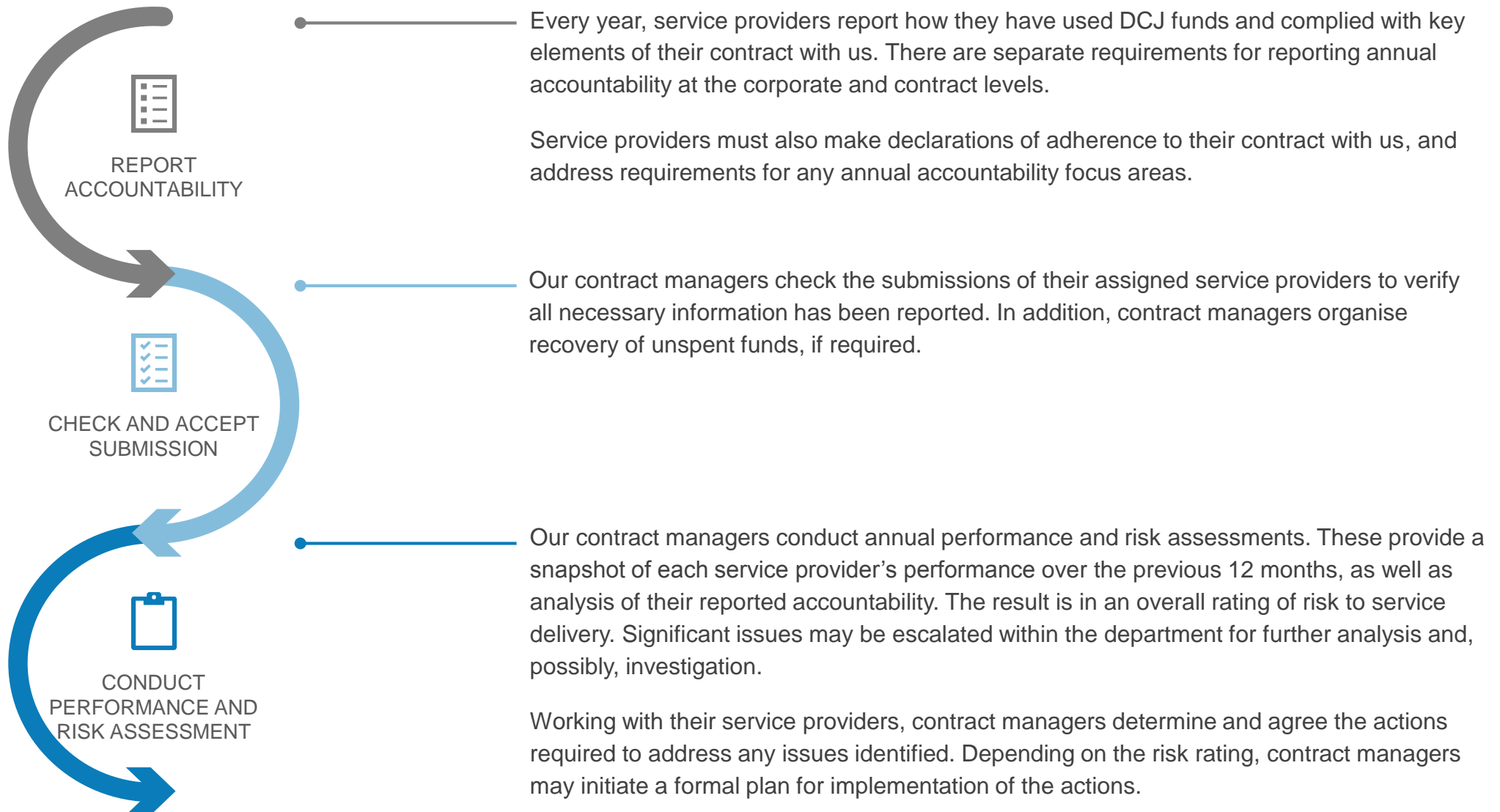
As an annual checkpoint for performance, it is designed to work with the regular performance monitoring that forms part of our contract managers' ongoing engagement with service providers.

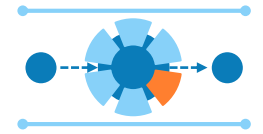
Annual accountability is a robust process of checks and balances, designed to achieve the four objectives listed at right.





An overview of the annual accountability process





The benefits of annual accountability

The annual accountability process contributes to the continual improvement of performance by DCJ and the service sector.

From **our perspective**, annual accountability offers a detailed picture of the current capacity and performance of our service providers. This, in turn, gives a snapshot of the strength and viability of the funded services sector.

The information captured during the process:

- guides us in how to better support the sector
- enables us to identify ways to improve and innovate at the program and sector levels.



From an **individual service provider's perspective**, annual accountability confirms how well an organisation is governed and financially managed.

It also enables us to gauge whether the organisation has the capacity and capability to continue to deliver the agreed services.

From a **sector perspective**, the annual accountability process assures DCJ and our service partners that the service sector continues to be capable of delivering better outcomes for our clients.

6.0

Additional
information,
support and
assistance



Additional information, support and assistance for service providers

If you are a service provider and require support or assistance with any aspect of funded contract management, **contact your DCJ contract manager.**

Visit our website for:

- the [*Charter for funded contracting*](#)
- full details of the [key management and delivery roles and their responsibilities](#)
- more information about the [Human Services Agreement](#)
- a full explanation of [annual accountability](#)
- [resources to assist service providers](#) with managing funded contracts
- the [glossary for funded contract management](#).

Additional information for other interested parties

If you have any questions about funded contract management or want to find out more about the Funded Contract Management Framework, send an email to ContractingFrameworksandSystems@fac.s.nsw.gov.au