

Briefing Paper

[This paper has not been considered by ACT Government and does not represent and ACT Government position]

Streamlining procurement of human services provided by non-government organisations.

Background

There are a wide range of policy and regulatory settings that shape whether and how a human service is procured by the ACT Government from Non-Government Organisations (NGOs). Find out more on the Procurement ACT website <https://www.procurement.act.gov.au/policy-and-resources>

The Sector Sustainability Program 2023-2028 and the ACT Commissioning Road Map both identify streamlining procurement as valuable objectives and critical to improving the sustainability of the partnership between ACT Government and community-based providers of human services to achieve health and wellbeing outcomes for individuals, families and communities in the ACT.

The ACT Government is required to demonstrate that it has assessed the 'value for money' achieved with the expenditure of government funding. This is usually assessed through a competitive process which assumes that competition influences the market to ensure the most efficient price is found. The most efficient price is assumed to be one which balances the actual full cost of delivering an item or service, the need for businesses to operate at a profit, and the price that purchasers will bear. There are a number of reasons why competition theory does not operate fully when governments procure human services, largely from not-for-profit organisations. Setting these aside, Government has recognized it has a role as market steward for the NGO sector and in that capacity, it can introduce efficiencies to its processes that benefit the NGO sector.

Pre-qualification is one way to streamline procurement processes. The concept of pre-qualification is not new to the ACT sector. It involves organisations being recognized as having the essential core requirements to be a service delivery partner to government through a process which is separate to a procurement process. This reduces the amount of information that is requested by government during each procurement process – ideally streamlining the experience of procurement for both NGO respondents and government assessors.

Around a decade ago, ACT Government introduced a prequalification system and invited organisations to participate. The system was managed by a Directorate and operated independently of all procurement. It was comprehensive, involving the provision of extensive evidence as to the suitability, viability and fitness of an organization to be a service delivery partner of government. Once prequalified, organisations only responded to the components of a tender process that related to the actual service being procured rather than also having to provide evidence of fitness, past experience etc. It was resource intensive for organisations to apply for prequalification, and for government to assess and 'qualify' an organization. Issues with consistency of decisions by assessment panels and resource intensiveness of maintaining evidence of qualification impacted the scheme, and it lapsed. It is

important that lessons from this experience are understood and pitfalls avoided in again exploring options to streamline procurement activity.

Rationale for timing of this activity

There are numerous commissioning activities underway in 2023-2025, all of which will have an Invest Phase that requires consideration of suitable procurement methodologies. Streamlining procurement methods and processes will be useful in at least some of these Invest phases and will continue to be useful as investment and procurement strategies mature through the implementation of Commissioning across all ACT human services delivery.

Feedback

How feasible are the various options for introducing greater streamlining of investment processes?

Is a staged approach to streamlining procurement appropriate?

Do you have feedback on the proposed options, including the activities proposed and the measures of success?

What would be your criteria for improved efficiency and effectiveness of procurement methods and processes?

Are there risks in consolidating data in the way proposed? Are these risks able or unable to be mitigated satisfactorily?

Are there opportunities for streamlining procurement that have been missed in the options outlined below? Please provide as much detail as you would like to explain these opportunities.

Options

This paper describes several options that could introduce streamlining of procurement processes. These options range from requiring modest change with minimal resource implications through to significant change that would be resource intensive to establish but reap greater returns in the medium to long term. The options are not mutually exclusive and could be implemented in combination. Some options could also be combined to enable a staged approach.

The options are:

A Standardized common questions used consistently across grant and procurement processes to reduce duplication of effort by respondents.

Standardised questions on common topics mean NGOs can develop answers once and use them often. An variation of option A is use of a declaration of fitness for governance, risk management, legislative compliance, IT systems, etc it is the most streamlined approach to common questions and assumes that in most circumstance the declaration would be sufficient and additional evidence not required. Assumes a level of trust in organisations and in other existing safeguards – eg past experience of the organisation delivering service under contract,



compliance processes undertaken by the ACNC, independent financial audits of NGOs. Organisations still required to respond to questions about specific services being sought, relevant experience to provide service etc. Swift and low resources to implement once standardized approach is agreed. Saves time for NGOs and for evaluation panels.

B Use of grants processes rather than procurement processes on the premise that these are more streamlined to implement for government

Grants processes are currently sometimes used, usually for lower risk, lower value activities by some directorates. A common grants framework would need to be established, use of a single 'smarty grants' style portal across multiple directorates would streamline application process for NGOs as information can be stored, updated and reused within the system. Grants process are not governed by procurement and probity legislation, directorates therefore bear greater risk of ensuring adequate processes and record keeping. Audit of processes may still occur. Once in place, grants framework could streamline process to establish a grant round, assessment processes may not be less resource intensive. Oversight to ensure consistency of implementation of processes may be required.

C Establishment of a database where information about respondent organisations is stored and shared to avoid the need for the same information to be provided to different parts of government

Evidence of fitness for Governance, risk management, legislative compliance, financial management, IT systems etc is requested the first time an organization applies for a tender or grant. This information is then stored in a database that is available for all future human services procurements across directorates.

Requires adequate IT solution, resourcing to establish, resourcing to enter data as it is received, coordination for access to information stored in the database by evaluation panels. Requires processes for how information stored is checked, updated and maintained over time.

D Establishment of a human services panel which then can be used for all future human services procurements.

A human services panel would be resource intensive to establish but once in place 'work orders' can be issued to the panel and decisions made quickly about services to be delivered by organisations on the panel. To join the panel robust evidence of fitness would be required from NGOs. Resourcing would be required to maintain the panel, coordinate its use by multiple areas of government, ensure information remains up to date, track use of the panel and amount of investment flowing to panel. A panel is currently being established for Care and Protection services which could serve as a model and streamline processes to establish. Government has strong experience in establishing and managing other procurement panels. Processes are in place, rigorous and have oversight from Procurement ACT.



Comparison of the options:

There are a range of qualities that may be of greater or lesser priority to government and the NGO sector in determining which streamlining procurement activities are most worthwhile.

This table lists some such qualities. There are others

- *** fully meets
- ** partially meets
- * some streamlining possible
- X does not meet

Qualities	A: common questions	B: grants	C: Database	D: Panel
Reduced repetition for NGOs	***	*	***	***
Reduced time to set up invest process	***	**	**	***
Reduced time for assessment processes	***	**	**	***
Provides rigorous evidence of NGO fitness	*	**	**	***
Low risk of not being implemented consistently	**	**	**	***
Quick and low cost to establish	***	**	*	X
Requires few additional resources to establish and maintain	***	**	*	X
SLJ and LIPP apply	***	X	***	***
Able to be used in combination	A and B	B and A or C	C and B	D and B
High levels of rigor involved	*	**	**	***
Consistency of application assured	**	**	**	***



A Staged Approach

This paper then proposes a staged approach to streamlining procurement of human services. This staged approach will enable both NGOs and government parties, and the wider group of stakeholders with an interest in the efficiency and effectiveness of procurement of human services, to monitor improvements in procurement processes, identify positive and negative unintended consequences, and adapt procurement approaches and systems in response to what is learned.

This staged approach enables NGOs and Government to determine whether each stage has delivered improvements in efficiency and effectiveness of procurement processes and whether further stages are a value proposition in terms of resources invested and whether further streamlining is desirable.

The staged approach is outlined visually on the following page and more detail can be developed if this approach is preferred.



