Aligning Human Services Commissioning with the Procurement-Better-Practice-Guide-Value-for-Money-Considerations.pdf (July 2024)

Value for money means achieving the best available outcome for a procurement that maximises the overall benefit to the Territory… Value for money is not simply the lowest priced offer, but a combined and documented assessment of both financial and non-financial factors that contribute to the achievement of the desired procurement outcome.

Section 43 of the Act relevantly allows the relevant Minister to give directions about practices, policies or procedures to be used by Territory entities for undertaking procurements.

Additional guidance is provided below to support defining and assessing value for money when procuring human services, incorporating:

- Productivity
- Sustainability, including fully funding services
- ACT Government Policy commitments, including Closing The Gap Priority Reforms, Commissioning for Outcomes, ACT Wellbeing Framework
- Criteria for assessing Economy, Efficiency and Effectiveness
- Expertise required when planning procurement and evaluating proposals

<u>Productivity</u>

Recent work in the UK has investigated how to increase productivity in the provision of public services[1].

> *"When the Office for National Statistics (ONS) measures public service productivity it adjusts for quality. It asks two key questions: what benefits does someone receive from being provided a public service and how much of that benefit is attributable to the service. Taking account of quality can help us understand whether improvements in productivity are due to better services or just an increase in the volume of services."* (p 5)

This paper argues that traditional approaches to improving productivity (such as tighter financial controls and other new public management techniques, pay increases for frontline staff and greater reliance on technology) have been short-term solutions that do not change the long term tend of decreasing satisfaction for people working in the service system and for the people who are intended beneficiaries of these services.

This paper suggests that more effective and sustainable improvements to productivity in publicly funded services will come from:

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[1] The-Motivational-State_2024_Nov.pdf

- Recognising that the world has changed substantially over the past several decades and people using publicly funded services face very different circumstances and challenges from those the service system was designed to address. For example:
  "The need for services is increasing in almost every area, as is the complexity of that demand, for instance, with rapid rises in the numbers of children being referred to children's social care or Special Educational Needs (SEND) services showing symptoms of mental ill health, trauma, and autistic spectrum conditions. Services set up to meet one kind of need (health, social, housing, education) have always struggled to respond to people with multiple kinds of need, and the integration of services to coordinate their responses with each other, remains much talked-about but little evidenced... embracing complexity in people's lives and in public service systems should become the norm, not through creating ever-more complex sets of services and service pathways, but through services being routinely more individually-tailored and person-led, recognising that the best person to understand what is the right set of support interventions for an individual is the individual themselves." (pp 6-7)
- Recognising the people-focused motivations of staff who work in publicly funded services.
  "much of what public sector workers do is form relationships with people who seek support, and interact with them in ways intended to enable people to live well. Great public service workers are great at relationships and have listening, empathy and communication skills... so we need approaches to increasing productivity which support values-led organisations to build and scale up relational services, and which enable workers to be as caring, creative and dedicated as they aim to be." (p 13)
- De-centring public service reforms driven by the corporate priorities and financial pressures of public service organisations, and re-centring reforms to focus on the needs of people who use publicly funded services. This will address the disconnect between the current approaches to improving productivity and that:
  "the existential challenges facing public services are not increases in demand for transactional or technical processes; they are the increasing number of people living for increasing proportions of their lives with multiple and complex health, care and support needs." (p 11)
- Maximising the potential for people who use publicly funded services to be more active participants in their own and their families' support. This includes:
  "modern public service thinking recognises that the value of public services is not just the number of people whose lives they touch, but the outcome and impact of those interventions. We need to think about the quality of the service to properly understand productivity, and to ensure that quality is measured in terms of the positive change created in someone's life, not just in adherence to minimum standards or service specifications" (p 12)
  "strengths-based approaches [that] focus first on what people can or could do with their skills, capacity and resources, including what they can draw on from their relationships, families and communities. Strengths-based approaches do not ignore needs, but they do look beyond them. They do not impose a single, uniform service on people according to what the service regards as their needs.

Strengths-based practice is person-led: with the individual identifying their own strengths and goals and working towards them at their own pace, rather than the service deciding what matters." (pp 13-14)

Sustainability

The [Counting-the-Costs-Sustainable-Funding-for-the-ACT-community-services-sector-report](#) stated:

> "The ACT Government recognises the valuable contribution that the non-government sector makes to the community including through the services and supports that the sector provides for vulnerable Canberrans. Alongside Government and the private sector, NGOs make important economic and cultural contributions to the life of Canberra.
>
> In considering how to sustain the NGO sector, it is helpful to have a common understanding of what we mean by a sustainable sector. There are multiple facets to sustainability. A sustainable, vibrant and diverse sector is one that:
>
> - *attracts funding (through all sources) that covers the full cost of service delivery,*
> - *has a skilled, stable and supported workforce,*
> - *has strong data and research literacy,*
> - *focuses more on value and less on cost,*
> - *meets the needs of a diversity of service users,*
> - *empowers service users to exercise choice and control in their own lives, and*
> - *contains an evolving mix of small and large; new and established; local, regional and national; specialist and generalist organisations."*

Financial factors relevant to procurement of sustainable human services:

Full Cost recovery should include all three levels of costs associated with sustainable delivery of both services/activities and governance of an organisation. Sustainable delivery and governance of an organisation has been defined in this resource: *[2020-CBA-Not-for-Profit-Balance-Sheet.pdf (uwa.edu.au)](#)*

A framework for assessing short, medium and long term recovery of full costs of service delivery has been developed based on the resource referenced above:

SHORT-TERM	MEDIUM-TERM	LONG-TERM
Able to operate as an entity throughout the entire funding period, be compliant with all legislative and regulatory requirements and maintain solvency	Able to continue to provide services that meet the quality, quantity, availability and accountability requirements of the Program throughout the entire funding period	Able to replace assets and invest in organisation development to meet changing circumstances, ensure entity continues to be fit-for-purpose in the ACT context and to contribute to ongoing development of the human services system in the ACT

All functions required to deliver human services are outlined below, colour coded to:
- Service Delivery and Workforce
- Operational and Strategic Governance
- Partnering with ACT Government in Commissioning for Outcomes

The proportion of funds allocated to each of these functions will differ according to the type of service being delivered.

Functions	USUAL COSTS TO DELIVER THESE FUNCTIONS
Services/ activities delivery	- Designing, planning, implementing, controlling, adjusting and monitoring the specific activities required to deliver the services/activities in safe and inclusive way, in line with community need and evidence of good practice - Staffing (paid and volunteer) to implement the services/activities - Staffing to oversee the services/activities and its operations and activities - Maintaining services/activities records - Supporting partners and monitoring their activities in relation to the services/activities
Quality control and evaluation	- Management and clinical supervision of the staff (paid and voluntary) implementing the services/activities - Staffing and ICT infrastructure to oversee and implement program policies and quality control activities - Evaluating the outcomes achieved by the services/activities - Building the evidence base that informs service delivery - Accreditation against standards (staffing, fees to accrediting entity, ICT infrastructure)
Functions	USUAL COSTS TO DELIVER THESE FUNCTIONS
Service improvement, including systemic reform and improving equity of outcomes	- Developing and maintaining (or sourcing) staffing capacity to ensure cultural, disability, gender diversity and intersectional competency - Participating in research and evaluation in subsector and/or broader human service ecosystem - Participating in Human Services Commissioning Cycle - Contributing to development of Human Services Policy and Program outcomes frameworks - Contributing to Human Services Policy and Program data governance policy and procedures
Visibility and Communication	- Communicating and publicising the services/activities as appropriate - Reporting on the activities and achievements of the services/activities - Communicating and promoting the organisation and its services to stakeholders including potential and existing clients, potential and existing donors/funders, other potential and existing partners, allies, or stakeholders

Reporting	- Maintaining the plans, master budgets, and forecasts that enable delivery of specific services/activities - Maintaining the services/activities financial records - Monitoring services/activities partner finances - Preparing services/activities financial reports - Managing the grant(s) and other funding including: Administering and oversighting the services/activities finances, processing services/activities income, making services/activities payments, and reconciling services/activities accounts - Collecting performance and other data on the services/activities and governance of the organisation - Establish, maintain and renew ICT systems and staff capability to produce reports to meet legislative, regulatory, quality and funding requirements
Human Resources	- Planning, delivery and evaluation of human resource management and development in the organisation - Recruitment, onboarding, retention and development of appropriately skilled and qualified staff who are responsible for delivery of services/activities and governance of the organisation - Recruitment, onboarding, supervision and retention of Volunteers for services/activities and governance functions - Paying staff salaries, expenses and related costs for services/activities and governance functions - Reimbursing volunteers for costs associated with their volunteering

Functions	USUAL COSTS TO DELIVER THESE FUNCTIONS
Technology	- Establishing, maintaining and upgrading IT systems and databases for the services/activities - Developing and maintaining (or sourcing) ICT capacity to build the evidence base for service delivery models - Establishing, maintaining and upgrading IT systems and databases for the governance of the organisation: record keeping; compliance monitoring; reporting to funders, regulators and the public - Establishing, maintaining and upgrading IT systems to meet cyber security obligations
Infrastructure – facilities and transport	- Procuring, monitoring, insuring, cleaning, ensuring security and maintaining facilities to accommodate delivery of services/activities and governing functions - Procuring, monitoring, insuring and maintaining any vehicles required for services/activities - Transporting goods, supplies, staff and service recipients - Storing and maintaining services/activities vehicles, equipment, goods, consumables and other supplies
Procurement	- Procuring goods and services required for the services/activities and governance of the organisation - Managing supplier arrangements and reporting on all goods and services procured - Purchasing equipment - Booking accommodation, venues, and catering
Legal	- Legal advice and services relevant to service/activity delivery and governance of the organisation - Governing and managing the agency and ensuring that it is appropriately directed and well controlled in accordance with all applicable laws, regulations, quality and funding requirements
Business Development	- Developing and maintaining (or sourcing externally) that capability and capacity to build the evidence base for service delivery models and achievements including: research and evaluation; outcomes frameworks; data governance, collection, systems, sharing, analysis, security; and communication of impact - Attracting funding to the organisation to deliver services and support in the community through fundraising, promotions, campaigns, preparing funding proposals, sponsorships, events
Auditing	- Auditing operations, finances and financial systems (both internal and external) - Auditing the services/activities operations, finance and financial systems (both internal and external audit) - Monitoring and auditing services/activities partner finances

Functions	USUAL COSTS TO DELIVER THESE FUNCTIONS
Governance, including Risk Management	- Operating a governing body (eg a Board or Executive Committee) and servicing this body to fulfill its duties - Ensuring that the NGO can operate legally in the jurisdiction and that it complies with all relevant laws, regulations and jurisdiction specific requirements - Maintaining and applying the organisational frameworks and policies required to enable the agency to operate in the service ecosystem, including but not limited to: risk management policy and framework, the procurement policy, the financial control policies and frameworks, the employment policies, the due diligence framework, other necessary compliance policies, the quality control policies and frameworks - Developing and maintaining the global systems required to ensure the effective and efficient delivery of the agency's functions e.g. the underlying organisation communications network, security and communications platforms - Establishing and maintaining the finance, procurement, payroll and administration policies, systems, controls and staff capabilities that enable delivery of the services/activities and governance of the organisation - Developing and maintaining the agency's strategies, plans, financial models, master budgets, forecasting and reporting frameworks - Maintaining the plans, budgets and forecasts for individual services/activities - Ensuring the services/activities comply with specific legal requirements relevant to its activities - Ensuring that the services/activities comply with all funder requirements - Insuring the services/activities and the entity

Non-financial factors relevant to procurement of human services:

Strengths-Based models of service design and delivery

Research has found that many publicly funded services are oriented around deficit models and that this approach can distract services from delivering optimal outcomes:

"By highlighting risks rather than capacity and potential, these services become risk averse, which in reality is to be "risk selective": focused on risks which concern the organisation's liabilities, but not on the risks, such as not achieving independence, most important to the individual."[2] (p 13)

Adoption of a strengths-based approach to service design and delivery will strengthen value for money in terms of satisfaction, impact and prevention of future adversity/escalation of needs.

A strengths based approach can be included in assessing value for money in human services by considering how the service proposal will increase the:

1. Consistency with which service interactions will create relationships which boost individuals' wellbeing, skills, confidence and capacity

2. Ability of individuals themselves to codesign and contribute to their own care

3. Caring capacity of families, and the sustainability of that care, and the inclusivity of the wider community

These objectives can be supported by including the following components in a service model:

- Recruitment and retention of staff with appropriate knowledge, skills, qualifications and ongoing opportunities for learning and development
- Brokerage funds to leverage other resources that will co-contribute to positive outcomes for the people accessing services
- Strengths-based assessment of needs, progress and outcomes
- Informal and family carer information, training, support, respite and access to emergency back-up that they need to care sustainably
- Investment in co-creation and co-evaluation of services by people delivering services and people accessing services

The following framework for assessing the capacity of providers to deliver a strengths-based approach is used by the Commissioning and Contracting Unit in the Department of Communities in Western Australia:

> **Philosophical Alignment**
> Please provide information that shows how your Service Model is aligned with the community development philosophy embedded in the Program. For example, can you please tell us:
>
> A. How will you make sure that your services / activities focus on the strengths of the community rather than the deficits?

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[2] The-Motivational-State_2024_Nov.pdf

B. How will you encourage local people to be involved in decision making about the services you deliver?
C. How are you currently engaged with and/or embedded within the community?
Please provide your Response:
(ii) Community Profile Please provide information that shows that you have a good understanding of your target community. For example, can you please tell us: A. What are the geographical (or otherwise) boundaries of the community that your service proposes to work with? B. What are the demographics of your target community? (e.g. statistics about gender, age, ethnicity and other relevant factors) C. What are the assets, strengths and aspirations of your target community? D. What are the challenges and issues that are faced by your target community?

ACT Government Policy Commitments

The ACT Government has agreed to implement the Closing the Gap Priority Reforms:

1. *Strengthen and establish formal partnerships and shared decision-making*
2. *Build the Aboriginal and Torres Strait Islander community-controlled sector*
3. *Transform government organisations so they work better for Aboriginal and Torres Strait Islander people*
4. *Improve and share access to data and information to enable Aboriginal and Torres Strait Islander communities make informed decisions.*

The ACT Government has specified in [Commissioning-Roadmap-2024-Booklet-1-Reform.pdf (act.gov.au)](#) the following outcomes will be delivered through Commissioning for Outcomes:

- *Better respond to community need, both existing and emerging, through increased flexibility and opportunities for innovation.*
- *Improve integration across the service systems to support seamless and holistic care, and transitions between services.*
- *Reduce pressure on our hospitals and other crisis services, such as homelessness or statutory services for children, young people, and families, by prioritising prevention and early support*
- *Improve equity in health and life outcomes for priority population groups, through commissioning decisions made about where and how to focus support.*
- *Improve sector sustainability through closer partnerships and better understanding the needs of our service delivery partners.*

The ACT Government has adopted Commissioning for Outcomes as the methodology for resourcing human services partnerships with NGOs. The [Commissioning-Roadmap-2024-Booklet-2-Practice](#) states:

In considering a direct, select or an open methodology here are some of the factors considered:

- *how best we can meet the needs of clients;*
- *the impact on clients of potential interruption to service provision;*
- *the size of the organisations and the type of services they provide;*
- *value of the funding; and*
- *government risks.*

Regardless of whether a direct, select or open approach is used, organisations will be required to apply for future funding and be assessed as meeting the criteria for funding. This provides an opportunity to:

- *review and reset service models to meet current and future needs;*
- *respond to the gaps and barriers identified during the commissioning engagement phase;*
- *contribute to a more integrated service system;*
- *ensure a sustainable, vibrant and diverse sector; and*
- *ensure that government and the sector fulfill legislative and community expectations to achieve economies of scale and value for money.*

The [Commissioning-Roadmap-2024-Booklet-2-Practice](#) states:

> *"For vulnerable Canberrans who need support to thrive in the community, commissioning is a critical enabler to ensure the supports are meeting the needs of Canberrans and driving wellbeing outcomes for vulnerable Canberrans."*

The ACT Wellbeing Framework identifies Priority Population Groups who are vulnerable to experiencing lower than average wellbeing:

- *Children and young people*
- *Aboriginal and Torres Strait Islander people*
- *Culturally and Linguistically Diverse People*
- *LGBTIQ+ people*
- *People with a disability*
- *Older Canberrans*
- *Carers*
- *Women*

Links to the Plans relevant to priority groups in the ACT Wellbeing Framework are available here: Explore wellbeing of specific groups - ACT Wellbeing Framework.

The ACT Wellbeing Framework guides ACT Government investment decisions. A summary of the Wellbeing Framework, is provided on the following page:

DOMAIN NAME	DEFINITION	OUR ASPIRATION FOR WELLBEING IN THIS AREA
Access and connectivity	Getting around to places we value and accessing the services we need	Our planning, mobility and service systems allow us to move around our liveable city and access the types of places and services we need, when we need them. Those who require additional support to gain independence can access responsive, tailored services.
Economy	We share in our city's economy	A strong economy, business and innovation sector creates opportunities for all Canberrans to share in the wealth of our city.
Education and life-long learning	Gaining the skills and education needed at all stages of life	Canberrans have equitable access to education and learning opportunities, through all ages and stages of life, to develop and gain the skills needed to live life well.
Environment and climate	The environment sustains all life now and into the future	Canberra's natural environment sustains all life, is accessible, climate resilient, and clean.
Governance and institutions	Having a say, being heard, and working together for better outcomes	All Canberrans can have their say, connect with and be part of key government processes. Canberrans have a government and other institutions that respect human rights, are responsible, reliable, have integrity, are open, and are fair.
Health	Being healthy and supported with the right care	Canberrans have good physical and mental health at every stage of life and can access the services they need to lead healthier lives and manage illness. Individuals take steps to proactively maintain good health with the support of health-promoting environments.
Housing and home	Having a place to call home	Canberrans have access to secure, suitable and affordable housing throughout their lives.
Identity and belonging	Being able to express identity, feel a sense of belonging, and participate fully in society	All Canberrans can participate on equal terms, regardless of age, gender, sexual orientation, cultural background or disability. Aboriginal and Torres Strait Islander people have a strong voice, are decision makers on issues that impact them, and lead in the achievement of positive life outcomes. We are proud to be Canberrans.
Living standards	Having the financial resources to live life well	Canberrans can be economically secure and have the means to help manage their lives.
Safety	Feeling safe and being safe	Canberrans are and feel safe and secure around their families, homes, community and on-line.
Social connection	Being connected with family, friends and community	Canberrans are connected and supported within our community and come together in areas such as sport, culture, spirituality, religion and the arts.
Time	Having time to live life well	Canberrans have the time to do things we want to as well as the things we are required to do.

Defining and Assessing Economy, Efficiency and Effectiveness

The criteria outlined in Procurement ACT guidelines for assessing value for money are:
- Economic
- Efficiency
- Effectiveness

Economic: this is the cost of the program inputs (e.g., people or resources). In order for those costs to be considered "economic", the inputs should have been acquired at the least cost for the required level of quality.

Efficiency: this relates to the value of program outputs in relation to the total cost of program inputs at the required level of quality. The ACT Government definitions of key terms are provided below (source: [Strengthening Performance and Accountability: A Framework for the ACT](#))

> Inputs: "Resources that an agency uses in the production of its outputs." (p 26)
> Outputs: "…the goods produced or services provided by, or on behalf of, an agency to the community. Outputs allow agencies to measure the cost to provide goods or services to the ACT community. The term refers only to the goods and services produced for third parties; it excludes goods and services consumed within the reporting entity (such as services provided by legal, research, human resources and information technology functions to other functional areas within the same entity, which are often referred to as 'internal outputs')…"(p 27)

Effectiveness: in Human Services Programs[3] this is achieving program outcomes in relation to the total cost of program inputs at the required level of quality. This includes consideration of
- Embeddedness: An organisation is well embedded in its community, and/or has a unique value proposition in delivering on individual, family and/or community needs, and government seeks to leverage the social capital/infrastructure that the organisation already has in place to strengthen service reach and outcomes.
- Equity: Refers to ensuring that program benefits are distributed fairly to participants, stakeholders and/or the community, and ensuring highest priority communities, groups and/or individuals benefit from the service. The ACT Government defines equity as: "…how well a service is meeting the needs of particular groups that have special needs or difficulties in accessing government services. Equity measures focus on any gap in performance between special needs groups and the general population. Equity indicators

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[3] [Evaluation and Value for Money | Australian Institute of Family Studies (aifs.gov.au)](#)

may reflect equity of access – all Australians are expected to have appropriate access to services; and equity to outcome – all Australians are expected to achieve appropriate outcomes from service use." (p 27 [Strengthening Performance and Accountability: A Framework for the ACT](#))

The recommended sequence of defining and assessing these criteria is outlined below:
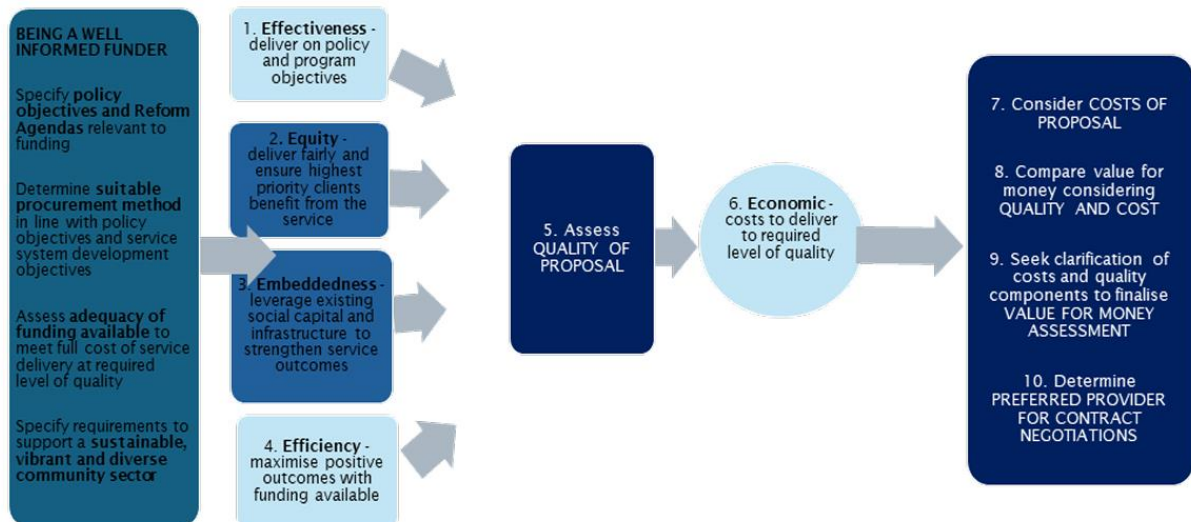
<u>Expertise required in planning and evaluation of procurement</u>

The design of the procurement or grant process and appointments to the evaluation panel need to be informed by specific expertise in assessing:

- The maturity of the service system – eg is it well established, undergoing a transition, newly developed?
- Alignment of suitability of proposed service model with individual/family/community needs to be addressed
- Understanding of the proponent of community need and demographic factors driving need
- Whether the proposed approach will improve equity in health and life outcomes for ACT Wellbeing Framework priority population groups
- How the proposed approach will deliver access to choice of service offerings and control of service arrangements by people eligible for the service
- Whether the proposed approach will further self-determination of Aboriginal and Torres Strait Islander people and communities
- Capacity to collect and use data and research to monitor outcomes and guide ongoing service development

The evaluation panel for human services procurements should include expertise in assessing:

- Evidence that proponent will be able to recruit and retain a suitably qualified workforce
- Adequacy of investment in renewal of ICT hardware and software to report data, conduct evaluations, mange human resources and ensure cyber security

- Capacity of the proponent to collect, use, analyse, report and share data relevant to monitoring and evaluating client and service system outputs, outcomes and impacts
- Capacity of the proponent to sustaining inter-sector and cross sector information sharing, collaboration and partnerships
- Adequacy of allocation of resources to enable participation in the ongoing cycle of Commissioning, including contributing to research and policy reform to improve human services