



# Summary Report

Workshop to inform development of tools and resources to support fully costing partnership between ACT Government and NGOS and Next Steps

# Costing Tool Workshop

ACTIVITIES	FOCUS AREAS	KEY INFORMATION AND OUTCOMES
<i>Circulated a Draft Briefing Paper to the Sounding Board on 14 August</i>	<i>Rationale for the development of tools and resources to support fully costing NGOs delivering services in partnership with ACT Government</i>	Evidence base from ACT, Australian and International research affirmed need to improve authorising environment, capacity and capability to fully recover NGO costs through government funding partnerships
<i>Revised the Briefing Paper and circulated to people who registered for the Workshop on 1 September</i>	<i>Updated based on feedback from Sounding Board</i>	Clarified key concepts Increased information relevant to the Non-Profit Starvation Cycle Expanded scope of workshop to include tools and resources beyond a costing tool
<i>Conducted Workshop on 5 September</i>	<i>Identified expectations, concerns, risks, priorities for action</i>	As outlined below
<i>Published report on Workshop findings on 19 October</i>	<i>Next Steps</i>	As outlined below



# Workshop participation and outcomes

On 5 September 2023 a workshop was convened bringing together ACT Government and non-Government stakeholders to consider development of a Costing Tool and seek advice on other tools and resources that could be developed that would support both ACT Government funders and non-ACT Government deliverers of social and health services to ensure organisations can fully recover the costs of delivering services.

There were 30 participants in the workshop including service provider organisation CEOs, Peak Bodies, consumer and volunteer support organisations, and ACT Government program managers. Participation included all groups identified as core stakeholders in the initial Briefing Paper:

- Staff who design and deliver services
- Service users – noting the Workshop only included representative organisations, not direct engagement by service users
- Staff in organisations responsible for corporate functions
- NGO Governing body members
- Commissioners
- Funders and decision-makers regarding new funding proposals

The feedback provided at the Workshop by NGO and ACT Government stakeholders will inform:

- Advice to Peak Bodies on insights and priorities from the workshop that is relevant to Peak Body work with ACT Government on development of fit for purpose rules of engagement between NGOs and ACT Government funders
- Advice to ACT Government on insights and priorities from the workshop that are relevant to Design and Invest phases of the Commissioning cycle and streamlining procurement processes.
- Refinement of the Commissioning Plan for procurement of tools and resources to support fully costing partnerships between NGOs and ACT Government to deliver policy and program outcomes
- Drafting of Objectives, Specifications, Stakeholder Engagement and Measures of Success for an RFQ
- Procurement documentation to engage a provider to develop tools and resources
- Monitoring of provider contract to develop the tools and resources
- Evaluation of this activity in the Sector Sustainability Project 2023-2024



# Key Issues Discussed and Insights Provided

KEY ISSUES	KEY INSIGHTS
<i>How does the Non-Profit Starvation Cycle lead to inaccurate costing of funding proposals by both NGOs and ACT Government?</i>	<p>A benchmarking tool is needed as the first resource to enable NGOs and funders to reset the baseline for accurately costing proposals and assessing reasonable costs in funding decision-making processes.</p> <p>Not all Directorates are advocating for increases in resourcing to ensure full cost recovery. How will ACT Government colleagues work with NGO leaders to get everyone on board?</p>
<i>What tools do NGOs and Government already use? Why are existing tools not used?</i>	<p>Time available to assess and learn to use tools, awareness, complexity, suitability, relevance, capacity, accessibility, lack of training. Costs are incurred in sourcing and using tools eg licensing fees.</p>
<i>What types of tools could be developed – pricing, costing and benchmarking?</i>	<p>NGOs and ACT Government need a shared understanding and common language regarding tools and resources - eg 'costing tool' is not going to be clear to everyone, many people think it is a pricing tool.</p> <p>Benchmarking tool may be more valuable than a costing tool – because it will facilitate moving outside parameters set by the Non-Profit Starvation Cycle</p> <p>It may be appropriate for any costing tool (if that is developed) to provide ranges rather than set figures, and for it to articulate the drivers for differing costs within that range. For example, when ATODA and UNSW did some costings work in 2022 (funded by the Capital Health Network), it specified three key cost drivers in the analysis: length of stay, complex presentations, and economies of scale. The drivers could be different across sectors, though economies of scale would be across the board</p>
<i>What is the level of ACT Government and NGOs understanding of the drivers of costs across workforce, program delivery and indirect costs?</i>	<p>Important to review the impact of the current Indexation Formula on capacity of NGOs to ensure full cost recovery when delivering ACT Government funded programs</p> <p>Unclear and sometimes unreasonable expectation of ACT Government funder on what services hold money for, for example, in the last months of a contract – is the money for paying out staff or for providing service delivery up to the last day of contract – which then means there is no capacity to provision for staff entitlements when ceasing employment</p> <p>NGOs keen to understand how funders take account of costing differences in funding proposals from organisations that have peppercorn rent, those paying ACT Property rents and those paying market-based rent</p> <p>Need to include Boards and Ministers as well as staff and funding bodies in education about true costs.</p>



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Would creation of a costing tool and other resources to support fully costed partnerships between ACT Government and NGOs, be effective in changing decisions inside ACT Government?	<p>Is there visibility across all decision-makers and authorizing processes of the need to fully fund the costs of the service partnership between NGOs and ACT Government?</p> <p>Capability development programs need to include staff in ACT Government and NGOs who create funding proposals, as well as ACT Government, Ministerial and Legislative Assembly Members who make decisions that impact on investment in services delivered by NGOs</p>
How can the Commissioning Principles provide a foundation on which the partnership between ACT Government NGOs can be fully funded?	These principles could guide re-negotiation of the way financial and reputation risks will be shared between ACT Government and NGOs when programs are not funded to cover the full costs incurred by organisations delivering programs in partnership with ACT Government.
<i>Is the current Value for Money assessment framework relevant to human services procurement?</i>	<p>Value for Money usually means from an economic lens not well-being. What tools does ACT Government use to assess value for money, and can they be shared with the sector?</p> <p>Can we also develop a fit for purpose definition of value for money that can be used when procuring human services, and will inform scoping and development of an effective costing tool?</p>
<i>What are the risks arising from development of tools and resources that support fully costing NGOs delivering programs via funding partnerships with ACT Government</i>	<p>Funders not having an appetite to increase funding to enable fully costed proposals to be successful in Investment phase of Commissioning. In this scenario, costing tools could become price suppression tools.</p> <p>Full recovery of costs incurred by organisations in delivering services could result in lower outputs/outcomes if no additional funds provided to cover full costs</p>
	There is a risk of a costing tool or re-negotiated sharing of risk being completed too late to influence the Investment phases of Commissioning during 2023-2024 and the next investment opportunity will then not be for 10 years
	Costing tool could entrench siloed approaches to funding that limit both the opportunity and visibility of cross-system intervention models that genuinely enable achievement of the health and wellbeing outcomes articulated in the ACT Wellbeing Framework.
	With extended terms in funding instruments, there is a risk that costs can increase, and the operating environment (eg costs of ICT, insurance costs, workforce supply and costs) can change, but with long term contracts organisations will be locked into an inadequate funding baseline



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<i>What would be the purpose of a benchmarking tool?</i>	<p>Benchmarking is critical issue to explore, noting the sector benchmarks in current costings are based on starvation mode.</p> <p>Enable comparison to ACT Government &amp; for-profit benchmarks for human service delivery. Also needs to benchmark across small/med/large services and what % each size spends in each cost component across workforce, program delivery and indirect costs</p> <p>Assisting with understanding what does it cost to get to a maturity level with core organization capacity costs eg in cyber security?</p> <p>The activity (if done well) has the potential to provide guidelines for organisation indirect costs – what should be in scope? how to calculate based on assessment of risks, opportunities and maturity of organisation?</p> <p>Need to better understand how benchmarks will be used – are they a minimum or maximum? Are they a guide that can be adapted to specific needs eg services provided to people classified as vulnerable have higher costs associated with safeguarding provisions, reporting and regulatory compliance.</p>
<i>Guidance to SSP Co-Leads and Provider who will develop tools and resources</i>	<p>Tools needs to be agile and adjustable at least annually eg Update benchmark every year, so it continues to include relevant cost components especially as these change over time (eg organisation comes inside scope for additional compliance measures eg Secure Jobs Code; insurance and workforce price inflation) or there can be unexpected additional costs incurred (eg recovery from an extreme weather event, pandemic requiring expenditure on PPE)</p> <p>Train sector on how to use tools and to mitigate challenge of workforce turnover in sector and ACT Government compromising agreement, buy-in, embedding and culture</p> <p>Tools needs to not be rigid/proscriptive because the settings for use are so diverse – primary, secondary and tertiary intervention; generalist and specialist; co-payments or fully subsidised.</p>



# Next Steps

ACTIVITY	RESPONSIBILITY
Incorporate counteracting the Non-Profit Starvation Cycle into Sector Sustainability Project 2023-2024 activities	<p>Sector Sustainability Project (SSP) Co-Leads will work with community and government stakeholders, including service users and their representatives, to:</p> <ul style="list-style-type: none"> <li>- <b>Develop a risk matrix</b> that can be used by NGOs and funders to consider the risks of using costing tools and suitable risk mitigation measures</li> <li>- <b>Provide policy advice on sharing risk</b> between Government and NGOs when full costs are not provided to organisations delivering human services through ACT Government funding</li> <li>- Incorporate <b>awareness raising and capacity building during engagement activities regarding fully covering the costs</b> of NGO/ACT Government partnerships</li> <li>- <b>Develop an agreed list of workforce, program and indirect expenses</b> that ACT Government will expect to see included in funding proposals.</li> <li>- <b>Review skill sets</b> regarding fully costing funding proposals (NGOs) and assessing reasonable costs in funding proposals (ACT Government)</li> <li>- <b>Explore development of a human services specific Value for Money framework</b> to include in procurement and grant evaluations</li> </ul>
<p>Develop a Request For Quote, in consultation with Peak Bodies and Government Co-Lead, to engage a provider to create tools and resources that can be used by NGOs and funders to fully cost funding proposals and assess reasonable costs during funding decision-making processes.</p> <p>Include Peak bodies in evaluation of proposals</p>	<p>The SSP Community Based Project Lead develop the RFQ to procure a project from December 2023-May 2024 that will:</p> <ul style="list-style-type: none"> <li>- Develop a <b>glossary of terms</b> for pricing, costing and benchmarking workforce, program delivery and indirect costs that leads to shared understanding and common language between NGOs and ACT Government.</li> <li>- <b>Propose benchmarks for allocations to workforce, program costs and indirect costs</b>, based on ACT Government, private sector and NGO data, Australian and International research on financially healthy organisations, and good practice examples from Australian and international jurisdictions in which governments commission services from NGOs</li> <li>- <b>Provide policy advice on the use of benchmarks</b> by both Government and NGOs. Eg should Government adopt a minimum benchmark that must be met?</li> <li>- <b>Develop, or identify suitable existing costing tools/templates</b>, that could be used by ACT Government and NGOs when developing and assessing funding proposals</li> <li>- <b>Create learning and development resources</b> that will support use by NGOs and ACT Government of the Glossary of Terms, benchmarking and costing tools.</li> </ul>



ACTIVITY	RESPONSIBILITY
Increase the visibility of, access to and capability to use existing Costing Tools and guidance materials	<p>SSP Community Based Lead will work with Peak Bodies and individual organisations to <b>distribute the material collated during the project relevant to costing templates/tools and development of capability</b> to fully cost programs.</p> <p>A <b>Knowledge Hub</b> collating all information and resources sourced during the SSP will be handed over to Peak Bodies and ACT Government in December 2024.</p>





## Evaluation of Activities

Project Outputs	System Reform Outputs	Process outcomes	Impact Outcomes	Vision: sustainable, vibrant and diverse community sector
<p>Target groups engaged and contributed input</p> <p>Tools/resources developed:</p> <ul style="list-style-type: none"> <li>- Agreed list of workforce, program delivery and indirect costs that will be included in funding proposals</li> <li>- Human Services Value for Money Framework</li> <li>- Benchmarking Tool and policy advice regarding use of this</li> <li>- Risk Matrix</li> <li>- Risk sharing Protocol</li> </ul> <p>Relevant existing costing tools and resources to support fully costing partnerships between NGOs and ACT Government are shared with NGOs and Government Officials</p> <p>Learning and development tools are created that support adoption and correct use of the Glossary of Terms, benchmarking and costing tools</p>	<p>Tools/resources contribute to delivering person-centred, outcomes-based service design, investment, contracting, delivery and evaluation</p> <p>Tool/resources are integrated into commissioning process: flow through from ACT Government allocation of funds to program (discover and strategise stages), to procurement process (design, invest, deliver stages), to contract specifications/KPIs and reporting/acquittal (integration stage) and during evaluation.</p> <p>Increased trust between ACT Government and sector partners</p>	<p>NGOs can have transparent conversations about the actual cost of delivering services to achieve expected outcomes</p> <p>ACT Government Officials have used tools/resources in development of Budget Business cases and assessment of reasonable costs in funding proposals</p> <p>A diverse mix of NGOs report Tools/resources support their success in securing funding that recovers the cost of partnering with ACT Government for different size and complexity of services and length of funding</p>	<p>Tools/resources contribute to ACT Government human services commissioning creating an opportunity to do things better, to foster greater flexibility, creativity, innovation, and early support</p> <p>NGOs report they have been better able to share risks between funder and provider of services when funding offered does not cover full costs of service delivery</p> <p>NGO and ACT Government user groups report Tools/resources are credible and effectively support accurate costing of service proposals and accurate assessment by funders of reasonable costs of service delivery</p> <p>Tools/resources contribute to Commissioning Cycles enabling design, funding, and delivery of a fit for purpose human services system within the ACT</p>	<p>NGOs are better able to attract funding (through all sources) that covers the full cost of service delivery</p> <p>Tools/resources contribute to driving co-production and mutual responsibility and accountability to cease the Starvation Cycle</p>



## Summary of Commissioning Plan

COMMISSIONING TOOLS AND RESOURCES TO SUPPORT FULLY COSTING PARTNERSHIP BETWEEN ACT GOVERNMENT AND NGOS						
	DISCOVER & STRATEGISE	DESIGN	INVEST	DELIVER	INTEGRATE	EVALUATE
Planned activities	Completed via publication of Counting the Costs Report and ACT Government Response to Counting the Costs Report	<p>Draft Briefing Paper to explain background, rationale (why this activity, why now?), objectives, measures of success</p> <p>Initial feedback from Sounding Board</p> <p>Consultation by Community-Based project team with NGO and Government stakeholders</p> <ul style="list-style-type: none"> <li>- identify user groups</li> <li>- current tools &amp;/or templates used to conduct costing and assess costs in proposals</li> <li>- specifications for tool</li> <li>- L&amp;D needs to enable use of tool, L&amp;D audiences in education settings and in workplaces</li> </ul> <p>4.Consultation on draft RFQ</p>	<p>Conduct an RFQ to engage a provider that:</p> <ul style="list-style-type: none"> <li>- Develops a glossary of terms for pricing, costing and benchmarking workforce, program delivery and indirect costs that leads to shared understanding and common language between NGOs and ACT Government.</li> <li>- Proposes benchmarks for allocations to workforce, program costs and indirect costs, based on ACT Government, private sector and NGO data, Australian and International research on financially healthy organisations, and good practice examples from Australian and international jurisdictions in which governments</li> </ul>	<ul style="list-style-type: none"> <li>- Monitor project implementation and schedule L&amp;D to support adoption of relevant tools and resources</li> <li>- Distribute Evaluation survey to all stakeholders to assess visibility, utility and feedback on tools and resources</li> <li>- Distribute evaluation survey to user group to assess impact of tools and resources on decision-making re proposals and commissioning.</li> </ul>	<ul style="list-style-type: none"> <li>- Include tools and resources in SSP Knowledge Hub</li> <li>- Promote tools and resources with education providers – CIT, Universities, Employer offered Professional Development, peer learning settings</li> </ul>	<p>Survey user groups - policy and Executive staff in funding areas of ACT Government, staff and Executives in NGOs who develop funding proposals</p> <p>Evaluation criteria provided in material above</p>



			<p>commission services from NGOs</p> <ul style="list-style-type: none"> <li>- Provides policy advice on the use of benchmarks by both Government and NGOs. Eg should Government adopt a minimum benchmark that must be met?</li> <li>- Develops, or identifies, suitable existing costing tools/ templates that could be used by ACT Government and NGOs when developing and assessing funding proposals for services to be delivered by NGOs to contribute to ACT Government policy and program outcomes</li> <li>- Create learning and development resources that will support use by NGOs and ACT Government of the Glossary of Terms, benchmarking and costing tools.</li> </ul>				
Completed activities	Completed	September-October 2023	October-November 2023	December 2023-May 2024	June-July 2024	June-July 2024	

