



# Appendix one – Response from agency

---



Ms Margaret Crawford  
Auditor General  
Audit Office of New South Wales  
GPO Box 12  
SYDNEY NSW 2001

Ref EAP19/4702

Dear Ms Crawford

Thank you for the opportunity to respond to the performance audit of *Grants to Non-Government Organisations*.

It is taking time and we're learning as we go, but the Department of Family and Community Services (FACS) is making good progress applying a structured commissioning approach to the design and delivery of services.

A commissioning approach puts the people we serve ahead of organisational interests, ours or anyone else's.

It makes full use of government, non-government and private providers to deliver the best outcomes for the people we serve.

Our department is transforming itself from being primarily a delivery agency to one that ensures services are provided by the organisation that can achieve the best results, whether that's us, another government department, a non-government provider or a collaborative partnership.

A transformation like this takes time and the audit report notes the progress towards these goals and identifies more that we need to do.

A key component of commissioning is market stewardship and we take this responsibility seriously.

For example, our department is the only significant funder of services in out-of-home care and homelessness. People who provide these services are already working closely with us. Few, if any, other providers can demonstrate they can arrive and successfully deliver services to often very vulnerable people.

In some regional locations, and in Aboriginal service delivery in particular, there are few if any providers. That means we have to use techniques beyond just running an open tender to develop and maintain quality markets.

The quality of support to children in care or people experiencing homelessness matters a lot. In these and other critical services we do not ask providers to compete on price but instead compete to demonstrate their capabilities and service quality.

Department of Family and Community Services  
Postal address: Locked Bag 10, Strawberry Hills NSW 2012  
W [www.facs.nsw.gov.au](http://www.facs.nsw.gov.au)  
T (02) 9377 6000 | TTY (02) 8270 2167  
ABN 80 597 369 676

We maintain competitive tension in the Permanency Support Program (PSP), for example, by periodically reallocating the share of funding under contract based on the performance of providers.

In 2014 we re-tendered the NSW specialist homelessness program at significant expense and at the cost of disruption to providers and clients.

Following that, Government directed us to avoid the disruption of another open tender process and instead achieve continuous improvement by investing in the capacity of the existing providers and measuring more aspects of performance.

Our current focus for children and young people in care is to ensure consistent and high quality support, regardless of who provides that support.

We will invest in the market as it exists across NSW and in each location and work with existing providers to develop capacity and capability.

The *Aboriginal Child and Family Investment Strategy* is an example of an evidence-based approach to building a market of strong Aboriginal-led organisations.

This emerging sector will not just provide support for Aboriginal children in care but increasingly support families to keep children and young people safe at home and thriving.

Our department has led the way with social benefit bonds, with the first bond in Australia to mature. We are integrating lessons we learned from the bonds into our commissioning approach to design programs that deliver sustained positive change.

We measure and report outcomes in the Permanency Support Program and Specialist Homelessness Services at the level of the program, but not yet at the level of individual providers.

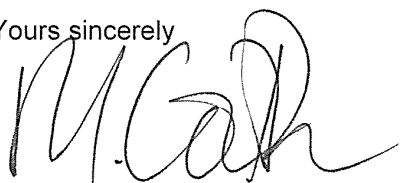
We are currently working with providers to measure the contribution of individual providers to outcomes, where that is possible.

This can be complex because so many factors can affect what happens. For example, all sorts of things beyond the control of a homelessness support service influence whether someone who was homeless ultimately finds a job.

A key focus for 2019-20 is the further development of performance reporting for use by contract managers.

If you would like more information about FACS response to the audit recommendations, please contact Eleri Morgan-Thomas Executive Director Partnerships, by email on [Eleri.Morgan-Thomas@facs.nsw.gov.au](mailto:Eleri.Morgan-Thomas@facs.nsw.gov.au) or telephone 9716 2917.

Yours sincerely



**Michael Coutts-Trotter**  
**Secretary**

**Encl**

20 JUN 2019

New South Wales Auditor-General's Report – Performance Audit  
**Contracting non-government organisations**

Management Action Plan

	Recommendation	FACS' response	Comments
1	<p>Implement measures to conduct full program level market analysis of services to be provided by NGOs to:</p> <ul style="list-style-type: none"> <li>• Identify potential new service providers;</li> <li>• Ensure that benchmarking of NGO performance and quality is conducted against the market</li> </ul>	Partly supported	<p>FACS is the monopsony commissioner of homelessness and child protection services in NSW. Potential new service providers are not currently providing the services required in NSW and will be operating under a different regulatory environment that is likely to be less stringent.</p> <p>Program level market analysis that includes both NGOs and FACS is regularly undertaken to understand the capacity of the market to respond to current and future needs. Many locations in NSW have thin markets of specialist service provision. FACS is undertaking three specific projects related to market analysis and stewardship:</p> <ul style="list-style-type: none"> <li>• The Provider Readiness project is developing a clear strategy on the market position of FACS as a provider of OOHC.</li> <li>• The <i>Aboriginal Child and Family Investment Strategy</i> will address the supports needed to increase Aboriginal controlled service delivery in NSW.</li> <li>• The SHS Aboriginal Sector Development Strategy that will be delivered by the end of 2019/20.</li> </ul> <p>The benchmarking and quality of service delivery by NGOs will be addressed by:</p> <ul style="list-style-type: none"> <li>• Accreditation with the Office of the Children's Guardian for PSP (ongoing)</li> <li>• Benchmarking of PSP providers will be implemented by 2020</li> <li>• FACS will introduce the requirement for SHS providers to achieve accreditation against the Australian Services Excellence Standards by 2023.</li> </ul>
2	Clarify roles and responsibilities and provide clear guidance for FACS contract management staff to ensure effective and consistent management of NGO performance and quality.	Supported	<p>FACS will review all training and support materials to for contract managers by June 2020 and will promote consistency (ongoing)</p> <p>A new contract management system will be implemented in 2019/20 and will further support consistency.</p>
3	Develop a process for reporting all NGO performance and quality issues to the Central Office to inform performance management and contracting management decisions	Partly supported	<p>FACS structure is deliberately decentralised to ensure local knowledge informs contracts management and as PSP in particular relies on local relationships and co-delivery. It is not possible or desirable to effectively manage over 2000 contracts centrally. Some improvements can be made to support consistency of approach while not diminishing local management:</p> <ul style="list-style-type: none"> <li>• Training supports for contract managers in the Districts are reviewed annually</li> </ul>

New South Wales Auditor-General's Report – Performance Audit  
**Contracting non-government organisations**

			<ul style="list-style-type: none"> <li>• A new contracting management system will be implemented in 2019/20 and will further support consistency.</li> <li>• Central Office will strengthen capacity to provide support when requested by Districts (ongoing).</li> <li>• A review of contract ownership in PSP will be undertaken in 2019/20.</li> </ul>
4	<p>Escalate the move to outcomes-based contracts for NGO contracted services by:</p> <ul style="list-style-type: none"> <li>• reviewing which services delivered by NGOs can move to outcomes-based contracts and the timeline for doing so</li> <li>• setting clear and measurable targets for the number of programs moved to outcomes-based contracts</li> <li>• publicly reporting progress against these targets</li> <li>• continuing to build capability within FACS to manage outcomes-based contracts.</li> </ul>	Supported	<p>FACS will review all programs for their ability to move to outcomes based contracts in 2019/20 and the timeline by which this will be achieved.</p> <ul style="list-style-type: none"> <li>• Develop a program logic for all programs by June 2021.</li> <li>• FACS will undertake a resource assessment of contract management for outcomes-based contracts by June 2020.</li> </ul> <p>In the SHS program:</p> <ul style="list-style-type: none"> <li>• FACS will pilot test new client outcomes measures during 2019/20 to determine what can measures are appropriate to embed in contracts.</li> <li>• FACS will finalise an outcomes framework and embed a program logic into the program by 30 June 2020 and report on program performance thereafter.</li> </ul>
5	<p>Improve the accuracy and completeness of client and NGO performance data and use it to:</p> <ul style="list-style-type: none"> <li>• monitor the performance and quality of NGO services</li> <li>• provide performance feedback to NGOs on their services</li> <li>• publicly report the performance of NGO services.</li> </ul>	Supported	<p>FACS is progressively developing contract management dashboards to support conversations between contract managers and NGOs. The dashboards report the performance of NGOs compared to benchmarks and can also be used to report publicly.</p> <p>A review of the status of systems and administrative data sets that support performance reporting will be undertaken by June 2020 to identify any gaps and requirements for future enhancements.</p> <ul style="list-style-type: none"> <li>• ChildStory enhancements are underway and are expected to be operationalised in FY 2019/20</li> <li>• Changes in the SHS program for its data collection requirements and the Client Information Management System (CIMS) to incorporate performance measures in reporting <a href="#">from 1 July 2020</a>.</li> </ul>