nous group

Process review 2014-15 grants round

Department of Social Services

24 August 2015

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Contents

Executive summary

DSS introduced a new approach for grants management

The core objective of the Department of Social Services (DSS) is to promote individual and family independence, resilience, participation and the wellbeing of the Australian population. DSS predominantly achieves this through engaging not for profit organisations through payments and grant funding. An expansive not for profit sector therefore plays a vital role in realising the Department's core objectives.

Since coming to office, the Commonwealth Government committed to simplify the welfare system and more broadly realise red tape reduction and improve the efficiency of government. In light of these goals, DSS was asked to implement a new way of working for grants in 2014. DSS engaged Nous Group to undertake a high level evaluation of its first steps in implementing grants reform to capture key lessons that can inform and further improve future grants management activities. This report is a summary of the review's findings.

The new approach was applied amongst some unprecedented factors experienced in 2014

In preparing the review it is helpful to appreciate the broader context of the 2014-15 grants process to identify how well it operated. The grants process was challenged by a number of significant factors beyond the usual scope of implementation design and management.

The 2014 grants rounds sought to drive sizable government reforms – including building greater contestability, streamlining programmes and a reduction of approximately $240 million in funding from budget savings – which were being sought through the grants process and had already presented a significant period of change for the sector.

The scale of the process was an additional challenge, involving multiple rounds (26 in total) and significantly oversubscribed by providers (applicants sought a total of more than $3.9 billion in funding, compared to approximately $800 million in grants available).

These substantial changes and scale of grants rounds had to be delivered in a condensed timeframe, prohibiting fuller consultation and compounding the challenge of managing such a complex process.

In addition, the responsible areas within DSS were still developing as a new organisational unit, with a number of machinery of government changes meaning DSS staff needed to adjust to a new operating environment.

DSS has identified improvements to support better grants management

As a major source of grants funding, DSS strives to implement best practice in programme management and grants administration. The review undertaken by Nous was focused on supporting continuous improvement. With this intent, this review is structured around the seven key principles of the Commonwealth Grants Guidelines.[1] Systems and information management, not included in the principles, is also covered as it proved fundamental to process implementation.

This report presents key findings against each of these eight areas and are summarised in Figure 1. The report then provides a more substantive description of the approach taken by DSS in the 2014-15 grants

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[1] Department of Finance, 'Commonwealth Grants Rules and Guidelines', July 2014

The outcomes orientation principle seeks to ensure the effective use of resources to appoint recipients focused on outputs and outcomes for beneficiaries.

process, what this achieved, what challenges were faced and recommendations to further improve implementation in the future.

Figure 1: Key findings of the review

Principle	Key finding
Governance and accountability	Governance arrangements can be enhanced to clarify accountabilities across the overall grants process (design through to service delivery).
Probity and transparency	The process followed strict probity arrangements which ensured selections were based on clear criteria, however this inhibited timely and relevant information sharing.
Project planning and design	Project planning and design are the most important success factors for the ultimate process, and should be given more time and resources in the future.
Communication and sector engagement	Ensure sufficient time is available to inform and prepare the sector (or potential applicants) for funding rounds and greater consideration is made for transition arrangements.
Proportionality	A consistent grants process was followed and applied to each funding round, there are opportunities to adjust the process to improve proportionality.
An outcomes orientation	The 2014 process was ambitious and sought broad policy objectives and innovation, but came with an intensive assessment process.
Achieving value with relevant money	It remains difficult to estimate the costs of grants management; further process automation is a useful way to increase efficiency but will not always be appropriate.
Systems & information management	Grants management requires sophisticated management of data; further investment in systems would be valuable to improve future processes.

Efforts are underway to act on these opportunities

The content of the review will be used by DSS to implement improvements to its processes. To assist these efforts Nous has developed an Action Plan for staff that summarises the key lessons of the 2014/2015 grants process and supporting recommendations, and then focuses on how and when DSS will act on these. DSS has also already initiated efforts to consider and respond to the Department's recent experiences, including visits by the Group Manager of the Programme Office to DSS State Offices to hear first-hand the views of delivery staff on the 2014 grants round.

This report, and the internal efforts underway to consider the process from different viewpoints within the Department, are a positive indication that DSS values being a `learning organisation' and understands the imperative to continually review and improve its processes.

1 DSS introduced a new approach to grants management in 2014

DSS provides crucial services through payments and grant funding of programmes

The core objective of the Department of Social Services (DSS) is to promote individual and family independence, resilience, participation and the wellbeing of the Australian population. This encapsulates a diverse set of outcome areas including for families and children; housing support, seniors; communities and vulnerable people; disability and carers; women's safety; indigenous affairs; mental health; settlement and multicultural affairs; and ageing and aged care.

The Department predominantly achieves this through engaging not for profit (NFP) organisations through payments and grant funding. This funding is for a diverse range of programmes for service providers to support vulnerable Australians to become self-sufficient and build sustainable communities. This represents an enormous level of investment by government; for example the value of grant funding listed by the Department totals approximately $3.5 billion per year.[2]

An expansive NFP sector therefore plays a vital role in realising the Department's core objective

A significant amount of work contributing to social outcomes is being delivered through NFP organisations. This group is itself both vast and diverse. The Department deals with over 3,000 different organisations ranging from large providers receiving over $20 million in funding to conduct numerous service types nationally, through to small providers receiving less than $10,000, funded only for a single service.

The Government has committed to empowering these NFP organisations to deliver services that respond to issues in their community. For the Department this further reinforces that recognising and encouraging greater performance through this network is vital to improved outcomes and performance. It is also a significant challenge. The diversity of scale, location, and specific services offered by providers must subsequently be incorporated into the development of the processes that support grant arrangements.

A number of reforms are in progress to improve how the Department performs and works in partnership with providers

Since coming to office, the Commonwealth Government committed to simplify the welfare system in Australia and make it easier to understand. The Government is also actively pursuing its red tape reduction agenda. These initiatives will collectively reduce the burden on NFP organisations in how they deal with government. The Department also continues to operate in an environment where all public organisations are being forced to achieve efficiencies and deliver greater outcomes with fewer resources.

'A New Way of Working for Grants' was introduced in 2014

In light of these reforms, DSS was asked to implement a new way of working for grants which recognises and respects the valuable work that NFP organisations do to support vulnerable Australians to become self-sufficient and build sustainable communities. These reforms ran in parallel to some other key

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[2] DSS website, 'Grants Funding', last updated 10 September 2014, <http://www.dss.gov.au/about-the-department/overview/grants-funding?

decisions by the Government; machinery of government changes reshaped how responsibilities for social services were allocated, and budget savings were identified for some services.

The Department developed a supporting process to implement efficient and effective grants management, the Programme Delivery Model. This includes five stages – summarised at a high level below – which move from the design of a process through to evaluation of the outcomes achieved by grants funding. The Programme Delivery Model represents a strategic grants and administrative procurement framework, with all parts of DSS now using this approach.

Figure 2: Overview of the Programme Delivery Model, DSS' approach to implement grants management

Design	**Select**	**Establish**	**Manage**	**Evaluate**
• Develop strategy • Design programme	• Plan selection process • Select recipient	• Establish agreement • Negotiate and secure signed contracts • Support sector to transition to delivery	• Manage performance • Manage payments • Vary agreements	• Conduct review

Beneath this structure DSS details the key process steps to be followed by staff and supporting information and tools to be used. This ensures a consistent process is followed for each grant round.

The Department has carried out a number of reviews to identify opportunities for improvement in grants process implementation

Nous Group (Nous) has been working with DSS since June 2014 to help it deliver its objectives for the grants process. DSS has asked Nous to undertake a high level evaluation of its first steps in implementing grants reform to capture key lessons that can inform future grants management activities.

This report considers DSS activities to support the 2014-15 community service tendering process, from design of the process through to the establishment of contracts with successful applicants. The guiding question for this evaluation is:

> **How can DSS use the experience of grants reform to date to improve how it delivers future grants processes?**

Nous has based its analysis on documentation developed through the grants process, and meetings and interviews with a range of stakeholders across DSS. A full list of resources and consultations are provided in Appendix A. This report also incorporates and is consistent with the views gathered from engagement by the Group Manager, Programme Office with various parts of the Department.

This work has sought to combine a formative evaluation with an active learning approach, using three high level questions to guide consultations and the overall review:

- What did DSS do to deliver the grants process?
- How well did the process perform?
- What can we learn to improve future grants processes?

Through this approach, insights have been fed back to DSS to inform the design and delivery of coming grant rounds in a timely way.

2 The new approach was applied amongst some unprecedented factors

It is helpful to understand the broader context of the 2014 grants process to assess how well it operated and the other factors that impacted it. Figure 3 below provides a broad overview of the key dates for the process. The following sections then describe a range of compounding factors that impacted the process.

Figure 3: Timeline of key milestones in the 2014 grants process
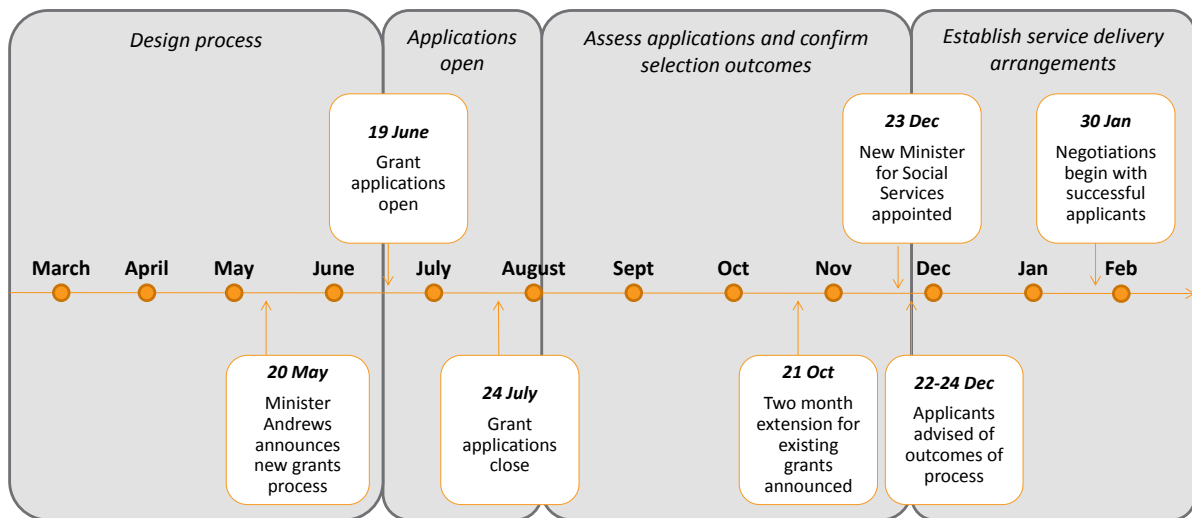
The 2014 process sought to drive sizable government reforms

A key priority for the Minister for Social Services in 2014 was to reform existing approaches to grant management via 'A New Way of Working for Grants'. This involved DSS implementing new grant arrangements that brought together 18 programmes from five former departments into seven streamlined programmes based on common social policy functions. The new programmes were designed to streamline existing services to make the most of common client needs, reduce duplication and ensure the most effective and efficient approaches are used to address community needs in line with Government priorities.[3]

While presenting notable benefits, in the short term this major reform initiative also represented significant change for the social services sector. These include:

- *Building greater contestability* – In some rounds it was the first time for service providers to go through a competitive tendering process to secure funding (e.g. emergency relief services)

- *Reducing red tape* – Providers needed to adjust to new application processes and arrangements, such as a move to single contract agreements and an emphasis on online communication

- *Streamlined programmes* – Providers needed to establish where their service 'fit' within the new scheme of seven streamlined programmes based on common social policy functions

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[3] https://www.dss.gov.au/grants

  ◦ *Changes in budget allocations* – Providers would not always be receiving what they had in the
    past, with approximately $240 million less funding available due to budget savings

With these measures to improve programme funding arrangements, it was inevitable that this process
would present a notable period of change for the sector. It should also be noted the management of this
complex transition was impacted by a change of Minister during the process. The new Minister needed
to be briefed on the outcomes of the process.

The operation of these funding rounds reinforces the importance of the dedicating considerable time
and effort to comprehensively socialise with the sector the rationale behind reform priorities, with a
clear articulation of what kind and level of change is being sort and why.

This substantial change had to be delivered in a condensed timeframe

The delivery of such significant grants reform was complicated by the need to deliver this process in an
extremely challenging timeframe.

Following the announcement of new arrangements by the Government and the identification of
1 January 2015 as the target date for agreements to be in place with service providers, DSS had
approximately 9 months to design and deliver this grants process. While a longer period to design the
process and conduct consultation with the sector was preferred, the condensed timeframes and budget
context did not allow this to occur.

In the future, it will be important to articulate clearer minimum timeframes (prioritising more time for
consultation and design at the beginning) potentially including 'stop and go' check points for crucial
steps. While short deadlines are a reality of government, with this DSS can better identify and
communicate the implications of changing suggested timelines.

The scale of the process was an additional challenge, involving multiple rounds significantly oversubscribed by providers

The 2014 grants process was a notably large and diverse funding round. It involved 26 funding rounds
across multiple outcome areas. A combination of Open, Direct and Restricted selection methods were
used to allocate up to $800 million to the sector at the same time. This presented a significant
operational challenge for DSS to secure staffing capacity with requisite capabilities to deliver the
process. It also meant the sector faced a substantial amount funding subject to review at the same time.

Compounding this challenge was the higher than expected subscription by providers, with 5,572
applications ultimately received across all funding rounds. Further, applicants sought a total of more
than $3.9 billion in funding, compared to approximately $800 million in grants available for the sector.
These differences are captured in Figure 4.

Figure 4: Comparison of available grant funding vs subscribed, and forecast applications vs received
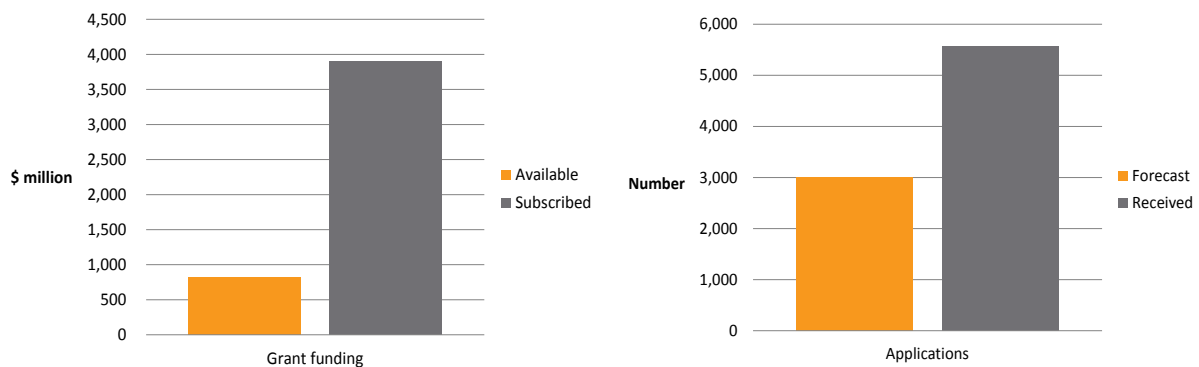
In the future, where possible it will be helpful to sequence key dates to more evenly resource the process and minimise the risk of system constraints at crucial points. Sequencing of the review of different funding allocation could also provide the sector with greater continuity and ability to plan future arrangements.

In addition, the responsible areas within DSS were still developing as a new organisational unit

DSS and the organisational units responsible for implementing the grants process were relatively new, still establishing working arrangements and roles and responsibilities. This is in the context of the formation of the Department of Social Services in late 2013. The newly established Department included the addition of a number of substantial policy areas previously delivered by other departments e.g. Aged Care coming over from the Department of Health, Settlement and Multicultural Affairs from the Department of Immigration and Border Protection, and some payments and disability employment programmes from Department of Education, Employment and Workplace Relations. These changes also involved the transition of Indigenous affairs and the majority of women focussed services over to the Department of Prime Minister and Cabinet.

DSS implemented funding round management through a centralised process. As a result of the creation of the new Department, DSS staff needed to manage this process across a range of operating systems and the condensed time frames for implementation required rapid upskilling for new staff and high degrees of coordination across areas. Managing such a large undertaking in such a short amount of time, with the organisation still forming the way it works together, is a testament to all staff involved.

DSS has now made valuable progress in clarifying how it works and the capabilities required to implement an efficient grants process, and should invest further effort to now embed the required operating model.

3 DSS has identified opportunities to further improve grants management

DSS strives to implement best practice in programme management and grants administration. With this intent, this review is structured around the seven key principles of the Commonwealth Grants Guidelines. [4] Systems and information management, not included in the principles, is also covered as it proved fundamental to process implementation.

Against each of these eight areas we present a key finding, and then a more substantive description of:

- The approach taken by DSS in 2014 grants process

- What this achieved

- What challenges were faced

- Recommendations to further improve implementation in the future.

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[4] Department of Finance, 'Commonwealth Grants Rules and Guidelines', July 2014

3.1 Governance and accountability

> *KEY FINDING*
>
> *Governance arrangements can be enhanced to clarify accountabilities across the overall grants process (design through to service delivery).*

Approach

DSS placed a significant emphasis on determining and establishing appropriate governance to support the funding rounds. These arrangements included the establishment of a Programme Office Board, Selections Board, Probity unit and Expert Panels to inform selections. An assessment centre was also established specifically for the process, resourced by staff from across DSS and contractors and run with robust security arrangements.

Roles and responsibilities for the process spanned policy areas, the programme office and delivery arms of DSS. The governance structures had documented Terms of References and decision making responsibilities to allow for successful cross-portfolio collaboration to occur and drive well-informed selection outcomes.

Achievements

Governance arrangements drove a positive level of ownership for the selection decisions; internal stakeholders felt they had seen well-informed decision making for the outcomes reached and confidence that a rigorous process was applied.

Further, governance arrangements achieved useful involvement of key people and expertise across the Department, for example:

- *Expert Panels* made good use of the state and territory office network to pick up the nuance of different capability levels across the sector, needs in different geographic areas and therefore provided greater insight into the value applications could provide

- *Selections Boards* provided a valuable forum for considering the overall assessment outcomes and the broader strategic implications for DSS (e.g. interplay between different policy areas, and organisations that have been funded in the past and how they fared).

Challenges

Responsibilities for the process were shared across multiple areas of DSS. The scale of rounds and applications, together with this arrangement meant many people were involved and a number of handovers were required. These handovers were not always easy, particularly as roles and responsibilities were unclear in some areas and staff could be unaware of the best person to contact to address a specific issue. Further there was not always a clear central point of accountability and control, with some reports of inconsistent advice from one area of the Department to another (e.g. instructions from the Programme Office to State offices).

This reflects a broader challenge, in that governance arrangements were established to manage the implementation of the grants process (conducted by the Programme Office) but ultimate authority for each particular grant occurs outside this organisational unit (i.e. the Minister or Delegate has ultimate authority and the Department has a dedicated Policy owner).

Examples of the impact of diffuse accountabilities included:

- Governance attention emphasising policy objectives sought, without a similar emphasis on implementation and delivery implications of decisions

- Difficulty providing the Selections Board with a clear line of sight across the multiple rounds underway to maintain timeliness and consistency

- The lack of clarity on who was responsible for what, saw certain tasks assigned to an area without a reciprocal change in resourcing

It also reflects the relatively new arrangements within DSS, as touched on in Section 2, where the boundaries of what each area across the Department is and is not responsible for in a grants process remained grey in places.

Recommendations

Governance arrangements should cement greater engagement between the Executive, Programme Office and Policy owners and the areas of DSS responsible for programme management and delivery. This could include formal communications when implementing a grants process such as progress reports, and will help to better align policy decisions with delivery arrangements.

Service offers of the different parts of DSS should be clarified – broadly, policy, programme management and delivery – throughout a grants process to clarify responsibilities and improve handovers. Certain positions should be emphasised and highlighted for staff as key contact points e.g. staff across DSS should be able to readily identify and contact Account Managers in the Programme Office, acting as the first point of contact into the Programme Office.

Given the demanding time, cost and quality expectations on the Department when running funding rounds, a dedicated project management resource should oversee the process. This will give DSS greater capacity to more effectively resource a process and respond to externally imposed delays.

3.2 Probity and transparency

> **KEY FINDING**
>
> *The process followed strict probity arrangements which ensured selections were based on clear criteria, however this inhibited timely and relevant information sharing.*

Approach

DSS contracted an external specialist party to provide probity and quality assurance advice. This included a review of internal process documentation, briefings to all staff within the Programme Office on probity requirements and risks and ongoing support to answer staff members' specific probity questions throughout the process. Internal processes were established to control the sharing of information throughout the selections process (e.g. limited access to information systems unless directly involved in the assessment of a round) and supporting tools developed (e.g. the Selection Process Assessment Tool).

Achievements

The upfront investment in probity meant staff had a clear understanding of what was expected of them, and could seek further clarification if needed. The initial training and external support also meant probity was front of mind for staff as they implemented the grants process, ensuring the process was as fair and transparent as possible. Additional probity advice was available throughout the process and used to ensure that the integrity of the processes was preserved.

Throughout the consultations conducted by Nous, interviewees frequently reported that they felt a fair process had been applied.

Challenges

The robust level of probity used meant that information had to be tightly controlled. Conscious not to unintentionally favour any applicant over another, DSS was hesitant to explain more of the process and their priorities. Considerations for appropriate probity placed constraints on the ability of DSS to offer personalised, and in some cases, timely information as funding decisions were being considered.

The very robust probity also had internal implications. The strict measures and protocols in place to ensure a fair process conversely inhibited timely and relevant information sharing across the Department in places (e.g. Network staff given limited access to information throughout assessment for fear of giving some an unfair advantage). Further the strong emphasis on probity caused a heightened and at times unnecessary focus on these issues, which contributed to excessive effort by assessors for each application.

Specific examples of the impacts of the robust probity requirements included:

- Any information sharing with the sector had to be very structured, so as not to give some applicants more information than others. As a result information sessions were run with a set presentation and limited opportunity for individual questions. Responses to individual questions were shared via a website.

- Information sharing between Network staff that work directly with applicants, and the assessment process, was tightly managed. This meant staff who knew a provider very well did not participate in the selection process, to prevent unfair bias.[5] Similarly when selection decisions were made, these were not shared with the Network until as late as possible to prevent any premature communication of the outcomes with the sector.

- The stringent probity requirements led to full assessment – and, in places, re-assessment – of applications by assessors and moderators. A more proportionate approach could have been implemented for some of the lower value funding rounds consistent with the proportionality principles outlined in the Commonwealth Grant Rules and Guidelines.

Recommendations

A robust approach to probity is appropriate. However it is important to acknowledge that running a formalised, standardised process places certain constraints on opportunities to engage with stakeholders throughout periods of funding decision making.

In the future, there needs to be considered analysis of the trade-offs involved in probity when the process is designed (i.e. how should the robustness of probity impact engagement with the sector and the flexibility and efficiency of the selections process). The decision made should seek to strike the most appropriate balance between robust procedures and delivering an efficient and transparent process.

Once determined, the rationale behind the subsequent engagement approach communicated with and stakeholders (e.g. we will be conducting limited engagement because this is a high risk round with strong probity requirements) and clear instructions on when probity arrangements can and cannot be tailored provided to staff.

DSS should consider how it could more extensively use the 'local intelligence' of staff in its state offices to inform selections and assessments, without compromising probity. Further opportunities to include alternative sources of information and viewpoints should also be scoped, such as considering what role state governments could have in DSS' grants processes.

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[5] It is important to note Network staff were included in selection processes for other funding rounds or areas, not specific to their location.

3.3 Project planning and design

> **KEY FINDING**
>
> *Project planning and design are the most important success factors for the ultimate process, and should be given more time and resources in the future.*

Approach

Despite significant time pressures when designing the grants process, DSS made considerable efforts to document the key procedures to be followed. This included the production of a number of materials designed to support project management of the process including a:

- project management plan
- issues management plan and issues register
- traffic light reports
- project initiation documents
- decisions register and approach
- lessons learned log

Further, DSS worked quickly to design the new streamlined programme areas and develop supporting application forms, assessment guides and communication material for potential applicants.

Achievements

The process was designed in a way that allowed for a rigorous assessment to be applied, with each step progressively refining the Department's analysis. For example, each part of the selections process had a clear contribution towards the ultimate goal of identifying those applications that represent best value for money in the context of DSS' objectives (summarised in Figure 5).

Figure 5: Overview of selection process
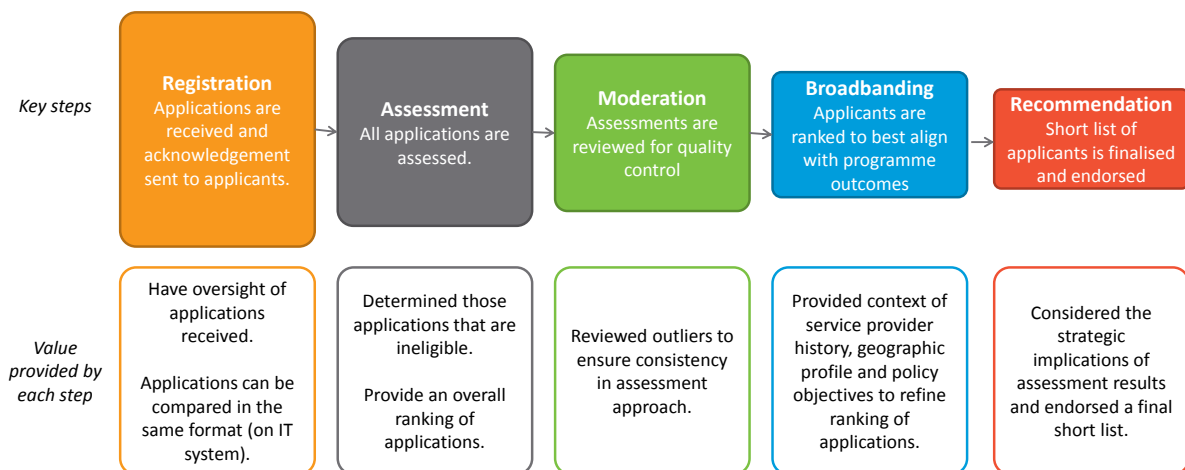
Challenges

The funding rounds provided an opportunity to monitor the performance of the design. This allowed aspects of design that were intended to ensure the objectives of the rounds were met including those that intended to reduce red tape, guarantee probity, and streamline processes. The design decisions

impact the performance of the process and sometimes results in unnecessary work in places or requires changes to the process when the full implications of the decision become clear. Some examples of the impact caused on the process are described in Table 1 below.

Table 1: Examples of design decisions which caused unintended consequences

Design decision	Implication
Application forms • Service providers asked to respond to five general criteria with a 1500 word limit for each response. • In training, assessors were advised to assess the whole application (i.e. information relevant to criteria X could be drawn from anywhere in the application) to provide applicants with as fair an assessment as possible.	• Word limits are viewed by some as beneficial while others find them restrictive. • Allowed applicants to provide a lot of information, in some cases much of it was irrelevant to the criteria to be assessed. • Increased the time needed to assess an application, with assessors having to do a full read through and match up information to relevant criteria before a decision could be made.
Guidelines • Sub-criteria were included at a later stage to sit underneath each of the five general criteria. The aim of this was to better tailor the assessment process to the relevant policy objectives of each round.	• Applicants were not provided with the sub-criteria, exacerbating the issue of providing unnecessary information in their responses. • Sub-criteria were included after the SPAT had been finalised, causing misalignment for assessors/moderators e.g. in places a sub-criteria was not applicable but the system still required you to give a score so these rounds automatically got full points for the irrelevant sub-criteria

While DSS sought to establish an end to end project plan before the process began, circumstances quickly changed which meant it did not continue to be effective. As a result there was uncertainty around the critical path that needed to be followed, inhibiting staff's ability to plan ahead for coming work. Similarly, some staff did not understand the rationale behind timeframes and felt things were pushed forward to the detriment of their input. Generally there was a sentiment that the parameters of the process kept changing.

Further, the overall process was conducted with limited time and early stages took longer than planned which placed considerable strain on subsequent stages. For example, prolonged policy decisions in the design phase shortened the time for IT testing, and the assessment process took a considerable amount of time which compressed the work of Expert Panels and the Selections Board.

Recommendations

Many of these issues seem to stem from not having the time to map out an end to end project plan and thoroughly test design features before the process began, given tight timelines. Adequate time before the commencement of a process for this work should be prioritised in the future, as well as the provision of more detailed training and advice to staff on the practical operation of the Programme Delivery Model (particularly in delivery and policy areas).

More specifically, project management needs to be stronger and more agile. A clear project plan is needed that sequences activities, pre-empts potential disruptions and informs proactive decision making to meet time and quality expectations. It remains challenging to articulate what the process is, where and how it should be adapted depending on the purpose of the grants and where there is flexibility in timing. A timeline, including stop and go clauses, should be established as a priority along with supporting workforce planning to manage the peaks and troughs in activity across a process.

For design, DSS should build on the current foundation and review the process with a focus on the end goal; a single funding agreement for the successful applicant. It should also carry out a comprehensive design process with strong cross Department consultation (seeking equal emphasis on policy and

implementation considerations) before a process begins and undertake regular quality assurance processes to review impacts on the sector and the Department. Early engagement with delivery areas of DSS on programme design should be expanded in the future, for example DSS could routinely establish small issue specific working groups with personnel across policy, programme management and delivery to proactively consider implementation of a grants round.

3.4 Communication and sector engagement

> **KEY FINDING**
>
> *Ensure sufficient time is available to inform and prepare the sector (or potential applicants) for funding rounds and greater consideration is made for transition arrangements.*

Approach

As previously discussed, the condensed timeframes prevented engagement with the sector and other experts during the design phase.

In preparation for the application process, DSS used a multifaceted communication approach in an effort to provide comprehensive information to potential applicants. This included:

- launch of the website with fact sheets and guidance material for applicants
- letters to current DSS service providers
- national newspaper advertisements
- opening of a DSS Grants Hotline
- establishment of a DSS Grants mailbox
- facilitation of 15 information sessions across the country
- website subscriber alerts

Achievements

In a very short period, the process itself was well communicated so as to attract sufficient levels of investment across the sector. Considering a very high level of interest, DSS managed to share information efficiently to provide applicants with a timely response.

Evidence of this is the high level of activity across the different communication channels offered. Table 2 provides a summary of the volume of communication requests that DSS managed. A further example is use of the website, with 21,000 hits on the Open for Application page when applications opened on 19 June 2014, and over 125,000 views by 24 July 2014.[6]

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[6] Drawn from the DSS 2014 Grants Process 'Communications timeline and stats summary'

Table 2: Summary of uptake of key communication options offered by DSS

Form of communication	Budget to applications open *14 May – 18 June*	Application open period *19 June – 24 July*
DSS Grants Hotline	702 calls received	9,728 calls received
DSS Grants Mailbox	278 emails received	2,586 emails received
Website subscriber alerts	3,709 subscribers	5,232 subscribers

Challenges

Opportunities for engagement with the sector were generally reduced owing to time constraints, or to support appropriate probity. This contributes to perceptions that communications oscillated throughout, from minimal engagement during the design phase, to very intensive when applications were open then to minimal again as applications were assessed.

Time to engage the sector to explain the rationale was limited engagement and created a major challenge in terms of their readiness and understanding of the process. The process offered a relatively short time frame for service providers to prepare applications and a lengthy period while they awaited feedback. DSS also heard from some providers that while the daily updates during the application phase on questions and answers meant they had a lot of information to access, the regular distribution made them uncertain if they were across the most current details.

Further, despite the high level of information made available on the website and in information sessions, there appears to be an ongoing appetite in the sector for personal interaction and tailored responses. An example of this was the very high queries traffic that DSS managed throughout the process (estimated to have received more than 13,000 queries in total). Despite the considerable investment by the Department on communications, the nature of the engagement did not seem to best match the information needs of applicants. Consultation with DSS staff in state offices also demonstrated mixed views; some suggested the communication material was too general, while others supported it as the right level of detail.

Recommendations

Adequate time to engage with the sector, particularly when undertaking notable reform, is very important. The quality of applications, and ultimately the grants outcomes achieved, can be improved through the investment of more time to socialise the process with service providers and accommodate for the varying capability levels across the sector.

In the future, where possible, the design phase should focus on the experience of a service provider, and how they can maximise client outcomes. For example timelines and requirements should consider how to increase the flexibility of the process (e.g. avoid 6 week period for applications and 6 month period for assessment) and provide consistent and precise guidance on the application process (e.g. if using sub-criteria, provide these to applicants). During the application phase it may be more helpful to provide communication material at set intervals, rather than as daily updates, to give applicants greater certainty that they are across all necessary information.

More broadly, naming any discrepancies between the level at which the sector would like to be engaged and the capacity of the Department to meet these expectations will be important. DSS should consider the extent to which it can provide the personal interaction still sought by many service providers, and articulate where it will prioritise its communication efforts and why in future processes. This process

should include guidance for DSS staff in state offices, who often must implement and explain the chosen approach to providers.

Particular attention is required to determine and communicate transition arrangements that are necessary to support service providers ceasing or commencing services as decisions are made. This period is important in order to achieve service delivery continuity.

3.5 Proportionality

> **KEY FINDING**
>
> *A consistent grants process was followed and applied to each funding round, there are opportunities to adjust the process to improve proportionality.*

What was done

In various areas DSS sought to apply a risk based approach to the assessment effort and in doing so increase the efficiency of the process without compromising its robustness.

Such incorporation of the proportionality principle reflects best practice in grants administration, as outlined by the Australian National Audit Office and in the 2014 Commonwealth Grant Rules and Guidelines (CGRGs).

Achievements

The use of a proportionality principle in areas was helpful to manage the large volume of applications. Examples of this were seen in moderation, where applications for funding under $2million had only one selection criteria (random) reviewed, as compared to a review of all selection criteria for those of $2million and over.[7] Similarly, referee checks were not be conducted on applications applying for total funding of less than $100,000.

As another example, a proportional strategy to assess the financial viability of applicants helped DSS identify any areas of high risk requiring additional analysis.

Challenges

The shift towards general selection criteria – in line with a broadbanding approach – made the assessment process more consistent but conversely more labour intensive. Without a stronger proportionality approach, assessors were required to undertake extensive analysis of each application even when some posed much greater risks than others.

Further, lack of clarity over how to use the proportional approach slowed progress and caused additional work in places. As an example, there was confusion over whether multiple applications collectively exceeding the $2 million threshold should trigger a more detailed assessment.

Recommendations

Applying the same process, regardless of the specific characteristics of each grants round, significantly impacted on the time and effort required to implement the grants process.

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[7] As per the DSS Grant Assessment Guide p. 36

In the future, greater proportionality should be used to avoid 'over-servicing' smaller rounds that pose less risk, without compromising fairness and a robust process. This is particularly important if using a more open 'broadbanded' assessment approach.

This should include threshold criteria and consideration of information requirements across the full process e.g. when designing application forms, an applicant seeking $5,000 of funding should fill out a very different template as an applicant seeking $500,000. This more robust proportionality approach will require confidence about the existing evidence base and assessment approach.

3.6 An outcomes orientation

The Commonwealth Grants Rules and Guidelines principle for outcomes orientation seeks to ensure that the intent and arrangements of the grants process makes an efficient and effective use of resources to appoint recipients focused on delivering outputs and outcomes for beneficiaries.

> **KEY FINDING**
>
> *The 2014 process was ambitious and sought broad policy objectives and innovation, but came with an intensive assessment process.*

Approach

DSS implemented new grant arrangements in 2014 that brought together 18 programmes from five former departments into seven streamlined programmes based on common social policy functions. The new 'broadbanded' programmes were designed to streamline existing services to make the most of common client needs and allow for greater innovation and contestability in the sector.[8]

The Department implemented a range of changes to reduce the regulatory burden of the process, including:

Grant reform outcomes
Simplify grant programme arrangements based on common social policy functions
Introduce longer term grant agreements to offer certainty in service delivery
Move to a single streamlined grant agreement for each provider
Introduce web based applications
New and streamlined approach to programme performance reporting
Implement new simplified financial acquittal reporting

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[8] https://www.dss.gov.au/grants

The identification of approximately $240 million in budget savings also meant DSS needed to more tightly target the programme outcomes sought in the 2014 process.

Achievements

The Commonwealth Grants Rules and Guidelines states granting activities should be designed and implemented so that recipients focus on outcomes and outputs for beneficiaries.[9] DSS made this a clear priority in the 2014-15 grants process.

As a result of reforms to increase the contestability of funding rounds and broadband programmes, DSS provided greater freedom for service providers to enter new areas of delivery and demonstrate innovative service delivery solutions. Further, the process demonstrated positive first steps towards delivering greater contestability for the provision of social services in the sector. This was the first opportunity in many years to apply a competitive tendering process for a number of funding programmes and provided an opportunity to review legacy arrangements.

Signs of a shift to a more integrated and holistic service delivery arrangements were another benefit of the outcomes oriented approach. One example was given of a funding round where DSS was previously funding a large number of small funding relationships with grant recipients, and the process invited service providers to collaborate to submit a compelling, combined proposal which offered a very localised community based service.

The overall view of policy owners interviewed through this process indicated that each of the funding rounds will deliver grant arrangements that will drive policy and achieve the outcomes in the community to realise government objectives.

Challenges

While a broadbanded approach to a grants process allows for greater contestability and innovation, it also substantially increased the level of effort required in the assessment process. The more general criteria mean proposals from applicants can be vastly different, and so require more time and information to adequately compare and assess the merit of one over the other.

Further, a process that seeks to drive reform in the sector while also reducing available funding requires a much more robust consideration of the selection outcomes and their impacts to ensure service delivery is not unintentionally impacted in an adverse way. The short timeframes made this an additional challenge in the 2014-15 process.

Recommendations

A grants process can be a very useful way to reform, innovate and test the market to improve the services provided to the community. However given the complexity of the social service system and the importance of consistent service delivery, this process by its nature requires a robust assessment process.

Therefore, the costs and benefits should be carefully considered before pursuing greater contestability and innovation through a grants process.

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[9] Department of Finance, 'Commonwealth Grants Rules and Guidelines', July 2014, p. 25

3.7 Achieving value with relevant money

> **KEY FINDING**
>
> *It remains difficult to estimate the costs of grants management; further process automation is a useful way to increase efficiency but will not always be appropriate.*

Approach

Given the unprecedentedly large size and complexity of this funding round, it was difficult for DSS to estimate what resources would be needed and when. It sought to use a variety of resourcing approaches to provide flexibility and reduce risks including:

- Use of a contracted workforce, alongside internal DSS staff, for the assessment/moderator stages

- Engagement of specialised contractors for assistance in specific capabilities e.g. probity and quality assurance, project management assistance and communication strategies

- Formation of tiger teams and callouts for staff willing to work overtime as a way to relieve pressure points and address stalling progress.

Achievements

The Department was able to access and manage resourcing to surge its capacity to deliver the process. This was seen both in the assessment centre and in the demands required in existing parts of DSS (e.g. policy and technical areas). While the original intention was for the process to be resourced within existing numbers, it was estimated at one stage that the process had approximately 200 people involved. Many areas were required to maintain day to day operations, provide key staff to the assessment centre and fulfil additional responsibilities relevant to the selection process.

Staff met challenging deadlines and have now used this experience to develop valuable capabilities that can support future grants processes, big and small. In particular, interviewees suggested that effective alliances have been formed through the process and people have learnt how to more effectively work together.

Costs

In other areas, the mix of capabilities posed additional challenges. The nature of the selections process meant that subject matter knowledge was an important factor in assessing the merit of applications. This placed a large demand on DSS staff who were acquainted with the policy areas and intended outcomes. In addition to DSS staff additional contractors were used to address the volume of applications. Contract staff required training, development and monitoring to ensure they had requisite skills. ; some of whom provided substantial value but there were some who required significant development to become effective and/or did not have the appetite to work in the intense deadline-driven environment.

Another reflection from policy areas was that many tasks asked of them during the selections work required staff with a process focus, but they had limited staff with the appropriate skills.

Some resource management decisions further exacerbated the challenge of containing costs and maintaining momentum. For example, interviewees put to Nous that:

- Some contractors were brought on too early without appropriate access to facilities

⊛   Some contractors were brought on part-way through processes and were expected to achieve productivity and quality very quickly

Recommendations

To leverage the valuable learnings and capabilities developed throughout the process, DSS should quickly move to capture the corporate knowledge of key people and review how people worked together to strengthen and clarify roles and responsibilities.

While DSS had to deal with a significant level of ambiguity when resourcing and costing this process, it now has valuable knowledge to inform future funding rounds. Capturing and applying lessons from its most recent experience now will allow for a more sustainable approach. There remains little advice on what is a reasonable cost to run a grants process compared to the size and complexity of a grant.

Generally it can be observed that the biggest costs come from the labour required to conduct physical assessments. This makes streamlining/proportionality/probity measures crucial. It also suggests that any opportunities to automate process (while not appropriate everywhere) and sequence activity to minimise surge requirements will be effective ways to reduce costs.

3.8 Systems and information management

> **KEY FINDING**
>
> *Grants management requires sophisticated management of data; further investment in systems would be valuable to improve future processes.*

What was done

DSS developed a range of tools and systems to support the selection process. The most important of these are described in Table 3 with a description of the value they provided to the process.

The process also used DSS' smart form technology to accept applications. This system had been extensively used by the Department before the 2014 process, with an aim to streamline the application process for providers.

Table 3: Description of key tools used in the grants process

FOFMS	Online financial management system, allows assessment teams to upload applicant information and assess, rate and rank applications and then record recommendations to fund or not fund a particular organisation within the same system.
Selection Process Assessment Tool (SPAT)	Excel tool that automates the assessment matrix and scoring of each criterion based on responses to five questions from the assessors and the quality of the supporting information provided in the application.
Service Catalogue	Instructional guide that provides a clearly defined set of grants administration components, functions and tasks for each model type, to assist staff in designing or redesigning a program or grant activity
Moderator Report	A quality assurance tracking tool identifying where quality requirements have been met and proposed mitigations, including re-assessment where this has not occurred.

DSS implemented a new and streamlined approach to programme performance reporting, the *DSS Data Exchange Framework*. It sets out a standardised, prioritised and collaborative approach to client-level data collection supported by an accessible IT system.

Achievements

DSS made notable improvements in how it collects and manages data (e.g. in all new grant agreements the Statistical Areas levels in the ABS Australian Statistical Geography Standard 2011 are used to define service areas) and can now give service providers access to this information via the *DSS Data Exchange* and Service Directory. The Department also implemented a number of new measures that reduced reporting requirements, such as the introduction of a stock take report and acquittals reporting.

The implementation of the *DSS Data Exchange*, the Department's new approach to programme performance data, shifts the focus of performance measurement from outputs to outcomes. Reporting requirements have been reduced to a small set of 'priority requirements' that all service providers report on and a voluntary extended data set that providers can choose to share in exchange for sophisticated reports, known as the 'partnership approach'. The *DSS Data Exchange* will allow for an understanding of the collective impact of DSS programmes and what combinations of services deliver the best outcomes for clients. This information will be shared back with service providers through self-service reports to inform best practice and early intervention approaches to service delivery.

The IT systems also managed a very large amount of sensitive and detailed data, crucial to the process. It showed strengths in efficiently translating application and assessment information into contract agreements for negotiation between the Network and service delivery providers. Further, DSS staff responded quickly to contain the problems created by an IT outage and put in place alternative handling arrangements to minimise its impact. This included a pre-determined contingency plan to accept applications over email and, later, permit late applications in light of the technical errors experienced with the lodgement of smart forms.

Challenges

While a suite of tools was made available to assessors, a major challenge was their limited ability to link up. Information had to be manually carried across different tools in places with only certain parts being relevant at different stages of the selection process. For example assessors and moderators suggested that some areas of the Selection Process Assessment Tool that were required to be filled out were of limited relevance to their work.

In other places, the individual systems were challenged by the scale and complexity of this particular process. The most pressing example of this was issues during the application phase. Using a PDF smart form, applicants could submit applications via any one of three options; load their own application directly to FOFMS through the internet, submit the smart form via email or send a physical application to a tender box. On the final day for lodgement service providers submitting their application to FOFMS and some did not receive an acknowledgement of lodgement. Some applicants also reported receiving undeliverable email messages. Many subsequently sent in multiple applications and via a range of different avenues (particularly to the Grants Inbox).

This error occurred despite the technology being used extensively by FaHCSIA in the past, and for sizable rounds (e.g. Volunteer Grants with over 20,000 applications). However in the 2014 process, the forms server experienced repeated outages due to both the volume of applications and the size of their attachments.

These issues with FOFMS caused not only angst for service providers, but also an enormous amount of work for DSS to identify and remove duplicate applications from the system. Over 1,150 organisations were identified to have submitted multiple applications with the potential to be duplicates.[10]

The way data was collected also created some unforeseen challenges. As an example, to provide consistency and support possible streamlining of agreements, the system tracked assessment by organisation. However this created complexity for rounds where assessment by organisation was not relevant e.g. some rounds needed an assessment by site so a lot of service providers submitted the same information for every site.

Recommendations

DSS already has a comprehensive set of systems and tools in place to support the selection process. Efforts to make these more integrated and tailored to the needs of end users will increase the value they provide to the process.

Further improvements can come from a refinement in how DSS captures information up front to minimise manual work. This may require being more prescriptive (e.g. only can use SA2 category, must specify front door locations) and clarifying where data management strategy should *not* be simplified (e.g. need more than one way to identify organisations).

IT systems will always have limitations, as evidenced by the challenges with FOFMS in 2014. To help minimise unforeseen impacts, in the future DSS should ensure:

- Strategies used to identify and mitigate risks are robust, seeking multiple sources of advice (of note, the Department has already begun developing strategies to mitigate similar risks in the future, and has moved to a new platform for smart forms that is more robust and scalable and pilot an alternative web-based form option)

- Prioritise and 'ring fence' more time in the design phase for user testing of systems and development of risk strategies

- Designate key check points throughout a process to review how well systems and tools are working and provide further guidance to staff if necessary

Finally, it is important to set expectations with stakeholders of what the systems can and can't do and provide clear instructions where limitations continue to exist.

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[10] Probity report – Duplicate Grants Applications Assurance Paper for Selection Board

4 Efforts are underway to act on these opportunities

The process followed by the review and the content of this report will be used by DSS to implement improvements to internal processes. To assist these efforts Nous has developed an Action Plan for staff that summarises the key lessons of the 2014/2015 grants process and supporting recommendations, and then focuses on how and when DSS will act on these. This will give staff a clear articulation of what change is needed and what strengths should be further developed.

DSS has also already initiated efforts to consider and respond to the Department's recent experiences. For example, the Group Manager of the Programme Office has in the past months visited state offices to hear first-hand the views of delivery staff on the 2014 grants round, the operation of the Programme Delivery Model and the practical function of roles and responsibilities across DSS. These meetings have involved personnel from all levels, via all staff meetings and specific discussions with Directors and those with key responsibilities in the 2014 grants process.

DSS has committed to continually develop and refine its approach if it is to meet the growing and sometimes competing expectations of stakeholders. This report, and the efforts already underway internally to consider the experiences of the last grants process, are a positive indication that DSS values being a `learning organisation' and understands the imperative to review and improve its processes.

Appendix A   Sources

A.1   Documentation reviewed

- Assessment Phase reports
- Proposed streamlining approaches for funding rounds (VM and CDP)
- DSS Selections Executive Reports
- Traffic Light reports
- Assessment Manager Reports
- A sample Draft Selections Process Management Plan (SPMP)
  (Families and Communities Service Improvement – Peak Bodies)
- Draft Grant Assessment Guide (GAG)
- Draft Project Management Plan
- Draft Project Initiation Documents (PID)
  - Funding Agreements and Legal
  - Communication and Stakeholder Engagement
  - Vendor Management
  - Direct and Restricted
  - Monitoring and Reporting
- Draft Terms of Reference – DSS Selections Board
- High level project timelines
- Draft Detailed Project Timelines
- Draft Issues Register Management Plan and accompanying documents
- Draft Decisions Register and approach
- Latest Governance Model (Final)
- Management Progress Reports (weekly over two month period)
- Probity advisor assurance papers
  - Accounting for applications
  - Duplicate grants applications
- Lessons Learned Log – Input from Highly Impacted Branch Managers
- Programme Office's red tape reduction project report
- Grants process communications timeline and stats overview
- Lessons Learned Log – Grants communications

- 2014 Selections Issues Register

- Grant Operations Support Team Development Paper: Lessons Learned from the mid-2014 Grant Renewal Process

- Communications Retrospective

- Lessons Learned - 2014 Grants Selection Process External Staffing Procurement

A.2   Consultations

Nous conducted a range of interviews with DSS staff and stakeholders involved in the delivery of the current grants process. This included:

Relevance to process	Specific individuals
Selection Board members	• Tim Reddel • Cate McKenzie • Liz Hefren-Webb • Iain Scott
Delivery	• Sonja Pase • Tristan Cox • Dave Agnew • Lucelle Veneros • Christine Steele
The Programme Office Executive	• Leo Kennedy • Trish Woolley • Chantelle Stratford • Helen Board • Christine Bruce
Expert Panel members	• Lara Purdy • Warren Pearson • Kate Brown
Assessment Managers	• Tracey Creech • Anita Davis • Stephanie Rake • Linda Westerhof • Steve Camp

Relevance to process	Specific individuals
Assessors	• Neil Swan • Noor Fleming • Andrew Routledge • Rod Johnson • Jess McCleary • Maera Crowley
Moderators	• Shane Hardiman • Marissa Otuszewski • Don White • Pam Martin • Brett Muller • Jenna Thivy • Christine Dorman
Probity QA advisers	
Other key personnel	• Clancie Hall • Judy Satrapa • Sam Peascod • Lex Dodd • Kirsty Linehan • Jennifer Kay