REVIEW OF UNSOLICITED PROPOSALS RECEIVED UNDER THE INDIGENOUS AUSTRALIANS' HEALTH PROGRAM

David Tune AO, PSM

November 2018

Table of Contents

1. INTRODUCTION

The objective of the Indigenous Australians' Health Program (IAHP) is to provide Aboriginal and Torres Strait Islander people with access to effective high quality health care services in urban, regional, rural and remote locations across Australia. This includes through Aboriginal Community Controlled Health Services (ACCHS), wherever possible and appropriate, as well as mainstream services delivering comprehensive, culturally appropriate primary health care.

The primary delivery mechanism under the IAHP is grant funding.

I was engaged in September 2018 to conduct an independent review of the administrative and assessment processes associated with funding unsolicited proposals under the IAHP.

Scope of the Review

The Terms of Reference for this Review focus on an analysis of the Department of Health's (the Department) assessment process and methodology in regard to IAHP funding applications with particular reference to the following:

- the application of the IAHP guidelines to determine if there is any variance or inconsistency in the Department's assessment depending on where the request emanates from (ie Minister's Office, Minister, industry bodies, community members);
- whether or not there is a discrepancy in assessments undertaken by the Department between proposals sourced by the Department and those that were not;
- whether the Department has applied varying scrutiny of proposals depending on the type of proposal or source of proposal;
- consistency of the Department's funding recommendations and whether there is any bias towards preferred providers[1];
- the Department's assessment of a project's performance both during its operation and at its conclusion, including measurement against deliverables, outcomes and overall performance;
- whether the department is ensuring a level playing field and equal access to government services for groups and organisations who are significantly struggling for access to government support and recognition, and
- whether the Department's funding recommendations are aligned to the demographics of a population and using an evidence base to inform recommendations and advice given to Ministers.

The Terms of Reference also require recommendations on best practice for managing IAHP funding applications and ensuring adherence to the Commonwealth Grants Rules and Guidelines (CGRGs).

The review has evaluated unsolicited proposals received or considered between 1 February 2018 and 1 August 2018.

Analysis included in this review is based on the data table at Appendix A.

[1] The term 'preferred providers' has been assumed to mean ACCHS

Scope of the Program

The IAHP was established in July 2014 and consolidated four existing funding streams: primary health care; child, maternal and family health programs; Stronger Futures in the Northern Territory, and programs covered by the Aboriginal and Torres Strait Islander Chronic Disease Fund.

IAHP Guidelines were also drafted at that time, in line with the then requirements of the 2014 Commonwealth Grants Rules and Guidelines and consultation with the sector, with the objective of balancing the need for clarity on what could and could not be funded under the IAHP with the need for flexibility to respond to emerging Indigenous health issues. The 2014 guidelines also took into account the priorities identified in the *Implementation Plan for the Aboriginal and Torres Strait Islander Health Plan 2013-23* and aimed for better integration of health services in line with recommendations from *The Forrest Review* and the *Indigenous Affairs Whole-of-Government Programme Framework Review*.

With the agreement of the Department of Finance[2], the IAHP Guidelines were broad and overarching and supported grant funding for activities under five themes:

1. Primary Health Care Services

Primary Health Care activities include the provision of comprehensive primary health care and support for effective primary health care.

2. Improving Access to Primary Health Care for Aboriginal and Torres Strait Islander people

Primary Health Care support activities assist Aboriginal and Torres Strait Islander community controlled health services and other mainstream health service providers to deliver high quality, comprehensive primary health care in accordance with principles of sound governance, accountability, cultural appropriateness and in line with evidence-based best practice.

3. Targeted Health Activities

Targeted Health Activities include the delivery of health services and evidence-based health promotion activities targeting health conditions of high prevalence in the Aboriginal and Torres Strait Islander population. Activities include those that target:

- eye, ear and oral health;
- mental and social health and suicide prevention within a primary health care setting;
- drug and alcohol use within a primary health care setting;
- sexual and reproductive health;
- health protection, preventive health and health promotion or education;
- blood borne viruses and sexually transmitted infections, and
- chronic diseases such as diabetes, renal disease, cancer, heart disease, respiratory disease and rheumatic heart disease.

[2]Senator the Hon Mathias Cormann, Minister for Finance (8 January 2106), letter to the Hon Sussan Ley MP, Minister for Health (MC16-001151)

Activities under this theme also support innovation and evidence-led responses to emerging or persistent health issues and new partnerships between research, service delivery and communities to design, deliver and evaluate these new approaches.

4. Capital Works

Capital Works activities include safe and appropriate infrastructure, such as residential staff facilities that support the delivery of comprehensive primary health care services to Aboriginal and Torres Strait Islander people and communities, including priority repair and upgrade of ACCHS clinics and residential staff facilities.

5. Governance and System Effectiveness

Governance and System Effectiveness supports continued investment in information systems, system support, data, evaluation, continuous quality improvement and measures to strengthen the quality and safety of health care provision to Aboriginal and Torres Strait Islander people.

Funds distribution under the Program

Funding levels under the IAHP arrangements have been increasing steadily. In 2013–14, funding under equivalent flexible fund programs was $682.3 million (excluding social and emotional wellbeing activities which transferred to the Department of Prime Minister and Cabinet in 2014). The budget allocation for IAHP funding in 2017–18 was $865.8 million and the 2018-19 allocation is $898.5 million. This figure is expected to increase to $936.0 million in 2019-20, with further increases anticipated beyond that time, subject to future budget considerations.

Allocation of IAHP funding under the five key themes identified in the IAHP Guidelines is made through advertised funding rounds. However, there are also a significant number of unsolicited proposals that come into the Department. Total IAHP funding is detailed below in Table 1, while Table 2 illustrates how funding is allocated across Administered Sub-programs – broadly aligned with the themes under the Guidelines.

Table 1 – Overview of IAHP Funding

	2018-19 Budget ($m)	2019-20 Budget ($m)	2020-21 Budget ($m)	2021-22 Budget ($m)	Total 2018-19 to 2021-22 ($m)
Program	898.5	936.0	976.1	1016.2	3826.8
Annual increase in spend	32.7	37.5	40.0	40.1	150.3
Growth (%)	4.0%	4.%	4.%	4%	

Figures provided are current as at 2018-19 Portfolio Budget Statement pg 63

Table 2 - IAHP Grants Activities – planned allocation 2018-19 and forward years

IAHP Administered Sub-programs	2017-18 Budget ($m)	2018-19 Budget ($m)	2019-20 Budget ($m)	2020-21 Budget ($m)	2021-22 Budget ($m)	Total 2018-19 to 2021-22 ($m)
Primary Health Care Services	518.6	536.4	553.1	565.2	565.2	**2,219.8**
Improving Access	142.5	146.4	156.8	179.6	184.1	**667.0**
Targeted Activities	52.7	77.6	73.1	67.8	70.8	**289.6**
Smoking	44.9	44.3	45.6	46.9	46.9	**183.7**
Mental Health	29.3	28.3	28.3	29.1	30.1	**115.7**
Capital Works	15.2	15.2	25.0	20.0	16.0	**76.2**
Governance and Systems Effectiveness	42.3	15.2	16.6	14.0	12.2	**58.0**
NACCHO and Affiliates	20.3	22.2	20.4	22.4	22.2	**87.2**
Indigenous Workforce		8.1	8.3	8.4	8.6	**33.4**
NATSI Flexible Aged Care Program		4.8	6.8	8.7	9.6	**32.0**
Emerging Priorities				13.9	50.4	**64.4**
TOTAL	**865.8**	**898.5**	**936.0**	**976.1**	**1,016.2**	**4692.6**

Table 2 shows a planned allocation consistent with the allocated budget. However, historically not all allocations are fully spent in a given year, leaving some funds available for approved unsolicited proposals.

ANAO Audit findings

On 26 June 2018 the Australian National Audit Office (ANAO) tabled its report on the effectiveness of the Department's design, implementation and administration of Primary Health Care grants under the IAHP[3].

The report focused largely on delays in implementing a new funding model for the allocation of primary health care funding, together with the program's performance measurements and data. It concluded that the implementation of the IAHP has been partially effective. In particular it noted that:

- the IAHP has been consolidated and supported through coordination and information sharing activities;
- IAHP implementation has appropriately aligned funding streams to intended outcomes; and
- the objective of reducing administrative complexity has been achieved.

In relation to the award of grants, the ANAO report found, particularly in relation to 2015 grant rounds, that "*Most aspects of the assessment of funding proposals were undertaken consistently with the CGRGs and IAHP guidelines. The exception was assessment of value for money*". (ANAO 2018 p29)

However in relation to the 2016 competitive round analysed in the report *"The departmental assessment documentation contained much more detailed commentary and analysis of the relevant proposal regarding why the departmental assessor considered each individual assessment criterion had been met than for the 2015 bulk and 2015 miscellaneous rounds. The assessments also contained a summary setting out the specific basis of why the proposal represented value for money rather than a simple affirmation as was the case in the 2015 bulk and 2015 miscellaneous rounds*". (ANAO 2018 p32)

In relation to advice to delegates, the report found that the Department provided sufficient advice for delegates to discharge their obligations under the Public Governance and Accountability Act 2014 in approving proposals, but the timeliness of the advice was variable.

While funding agreements were found to be fit for purpose, the Department's reliance on public reporting to monitor the achievement of program outcomes was criticised for not being specific enough to measure the extent to which IAHP funded services are contributing to achieving program outcomes.

Limitations in the Department's collection and use of performance data, in particular its inability to show how it used data to inform policy advice and program administration, was also noted in the report.

The report made the following recommendations, which were all agreed by the Department:

[3] Australian National Audit Office (ANAO 2018, *Primary Healthcare Grants Under the Indigenous Australians' Health Program*,) report no. 50 – 2017-18, ANAO, Canberra.

Recommendations

Recommendation 1	The Department of Health improve the quality of IAHP primary health care value for money assessments, including ensuring their consistency with the new funding allocation model.
Recommendation 2	The Department of Health assess the risks involved in IAHP-funded health care services using various clinical information software systems to support the direct online service reporting and national key performance indicator reporting process, and appropriately mitigate any significant identified risks.
Recommendation 3	The Department of Health ensure that new IAHP funding agreements for primary health care services include measurable performance targets that are aligned with program outcomes and that it monitors grant recipient performance against these targets.

As noted in the Department's response to the report, work is underway to implement the report's recommendations, including the introduction of more robust assessment processes for primary health care grants under the IAHP and the development of enhanced performance measurements of program outcomes, supported by an outcomes focused policy framework.

2. UNSOLICITED PROPOSALS

In addition to the funding rounds for each of the five themes of the IAHP, unsolicited proposals are received by the Department either from individual organisations seeking funding, or via the Minister's office, often following a meeting with the Minister. Unsolicited proposals are considered for funding under the IAHP if unallocated funds exist or become available due to underspends in grant programs, with the IAHP Guidelines used to assess appropriateness for funding. According to the Department's internal reporting, to date in 2018-19 approximately $37 million has been approved by the Minister to fund unsolicited proposals. As at 16 October, there was $30.9 million remaining in uncommitted funding in 2018-19.

Unsolicited proposals are, by their nature, received outside of formal grant rounds and generally not sought by the Department. They are of varying quality and provide varying degrees of information to support any assessment of their appropriateness for funding. As these proposals come in sporadically they are difficult to benchmark against similar projects. This makes it difficult to determine value for money and to prioritise proposals for funding to ensure best use of available funds. Further, the expectation of a speedy allocation of funds can add to complexity, especially where additional information is required to enable an assessment of the proposal.

Assessment

Unsolicited proposals received by the Department are assessed through a two-part process with most using the templates at Appendix B.

The first template relates mainly to the amount of funding sought for the proposed activity, options for funding and any potential risks. The information included in this template then informs the second part of the process.

The second template analyses the content of the proposal against the IAHP Program Guidelines, including value for money, and is used as the basis for providing advice and recommendations for funding to the Minister.

In completing the templates, the Department first considers the extent to which the proposal fits within the five themes identified in the IAHP Guidelines. It then assesses the proposal against the following principles:

- delivery of program outcomes;
- provision of culturally safe services;
- demonstrated need;
- demonstrated effectiveness;
- capacity to deliver;
- risk management;
- value for money, and
- engagement and support.

This assessment also has regard for existing funding that the unsolicited proposal may potentially duplicate.

In some cases Departmental advice is batched to cover a number of proposals. However, the Minister has expressed a preference for individual submissions from the Department in relation to each unsolicited proposal. This is now being done.

Number and source of proposals

Between 1 February 2018 and 1 August 2018[4], 53 unsolicited proposals were received and considered by the Department. Of these, 13 (25 per cent) came directly to, or originated from within, the Department, while 40 (75 per cent) were received initially or initiated by the Minister's Office.

Where it was possible to accurately track timelines, on average, it took the Department 65 days to process each proposal[5], once all information was received from the applicant. The shortest turn-around time was five days and the longest 246 days. Delays in processing unsolicited applications generally result from the need to gain further information from the applicant to facilitate assessment, or due to ongoing conversations with the Minister or his office regarding the need for further information and subsequent briefing of the Minister.

Table 3 – Unsolicited Proposals by Jurisdiction

Jurisdiction	National	NT	WA	NSW/ ACT	QLD	SA	VIC	TAS	Total
Number Received	17	9	7*	10	6	2	1	1	53
Number funded	16	9	5	4	4	2	0	0	40*

**The outcomes of two proposals are still to be decided, both from WA*

Table 3, above, shows a heavy focus on proposals received from the Northern Territory (NT), Western Australia (WA), New South Wales (including the Australian Capital Territory - NSW/ACT) and Queensland, with a combined 60 per cent of the total number of proposals received. The next largest component was the 'national' proposals, making up 32 per cent of unsolicited proposals received.

Of the 51 proposals that have been considered, all of those received from the NT, WA and South Australia were funded, as well as all of the 'national' proposals. Of those received from Queensland, 67 per cent were funded, followed by 40 per cent of proposals from NSW/ACT. Neither of the proposals from Victoria nor Tasmania were funded. While prima facie this would appear consistent with service provision to Aboriginal and/or Torres Strait Islander populations, particularly in remote areas, it may not cover some urban aspects or potential for investment in this space.

Proposals have been categorised broadly by subject under the five themes of the IAHP in Table 4, below, along with funding recommendations and outcomes.

[4] A further 13 unsolicited proposals have been received by the Department between 2 August and 5 October.
[5] Defined as the time between the receipt of all additional information sought by the Department and the time advice is provided to the Minister.

Table 4 – Proposals by IAHP Theme

Type of Request	No of unsolicited proposals	No recommended by Dept	No approved for funding
Theme 1 – Primary Health Care Services			
Primary Health Care	5	3	3
New primary health care service	1	1	1
Theme 2 – Improving Access			
Regionalisation	2	2	2
Research	1	1	1
Theme 3 - Targeted Health Activities			
Ear/eye/dental initiatives	7	6	
Disease specific initiatives (eg Machado Joseph, renal)	4	3	4
Health promotion	8	7	7
Tackling Indigenous Smoking - additional projects	5	5	1
Theme 4 – Capital Works			
Capital/equipment	5	4	4
Theme 5 – Governance & System Effectiveness			
Business improvement	5	4	4
Social issues	6	2	4
Other	4	2	2
Total	**53**	**40**	**40**

Table 4 indicates that 'Targeted Health Activities' make up 24 of the 53 proposals received, or 45 per cent. The next largest component is the combination of 'Social Issues' and 'Other' categories with 10 proposals, or 19 per cent, of those received. These proposals are difficult to align with the themes of the IAHP and demonstrate the challenge faced by the Department in relation to the random nature of some of the proposals it receives for assessment. This is particularly relevant in relation to value for money as there is often no clear rationale for assessing these proposals under a health program, and no relevant projects that could be used for benchmarking. Case Study 1, below, provides an example of a proposal received under the 'Other' category.

s47C

My examination of the 53 proposals suggests that, overall, the Department has applied as consistent a level of scrutiny as possible to the full variety of proposals it has received, noting that the disparate nature of unsolicited proposals and the variable information contained in

them impacts that scrutiny. In some cases, this has also affected the quality of advice to Minister Wyatt, particularly when proposals have been batched and the use of attachments has not been as consistent as should be expected.

Finding

The Department has applied a similar level of scrutiny to all types of proposals, no matter the source. However, presentation of advice to the Minister's Office was, at times, inconsistent.

All ministerial submissions tested contained the appropriate guidance around Ministerial obligations under the CGRGs and other administrative matters.

Levelling the playing field

Given that 75 per cent of unsolicited proposals received by the Department emanated from the Minister's Office, my assessment is that it is currently not possible to ensure a level playing field for groups and organisations that may be struggling for access to government support and recognition. Whilst the unsolicited proposals process, in itself, provides an opportunity for organisations outside the 'mainstream' to seek funding, it does rely on such organisations being 'in the know' about the process. In essence there is an inherent bias towards such organisations. It is likely that many (possibly worthy) organisations are missing out on opportunities for funding because of this bias.

An additional challenge with proposals that seek seed or one-off funding is that it also creates an expectation of on-going (recurrent) funding under the IAHP. Indeed, many organisations submit unsolicited proposals yearly in anticipation that their funding will be continued. There is currently no process for managing those expectations as each proposal is considered individually as it arrives in the Department. As the IAHP has a fixed allocation, a coordinated approach to determining priorities is likely to result in the greatest gains and, as such, a better process is required for the transparent allocation of funds that may be considered 'discretionary' to ensure best value from a limited funding pool and ensure more equal access to Government support.

In addition, the new requirements of the CGRGs seek to limit the use of unsolicited proposals to fund activities in favour of maximising transparency in allocating grant funds through increased use of formal grant rounds and competitive assessment. Transparency is further enhanced by the publication of grant opportunities and outcomes on the GrantConnect website. These changes create an opportunity to open up a formalised, competitively assessed grant round to even the playing field and promote, prioritise and better deliver grant funds in relation to need.

Finding

The current unsolicited process, by its very nature, prevents a level playing field for service providers as it favours those who are 'in the know'.

Grant recommendations and outcomes

Recommendations and outcomes are summarised in Tables 5 and 6, below:

Table 5 – Recommendations for Funding Unsolicited Proposals s47C

Organisation Type	No of proposals
ACCHS	26*
Not for Profit	19
Private Company	3
Peak or Advisory Body	2
Other	2*
State/Territory Government	1
Total	**53**

**Indicates categories where applications are under consideration and outcomes have not been included*

Table 6 – Funding Outcomes by Entity Type

Organisation Type	Proposals funded	Proposals not funded	Total funding sought ($m)	Total funding approved ($m)
ACCHS	15	10	$50.8	$42.0
Not for Profit	19	0	$55.6	$55.6
Private Company	2	1	$5.5	$4.9
Peak or Advisory Body	2	0	$10.2	$10.2
Other	1	0	$0.204	$0.004
State/Territory Government	1	0	$0.6	$0.6
Total	40	11	**$122.9**	**$113.3***

**Two proposals remain undecided, totalling $350,000*

On the face of it there does not appear to be any bias by the Department towards supporting proposals from preferred providers. For example, s47C
s47C

s47C

The Minister's comments in relation to four, ACCHS-based Tackling Indigenous Smoking proposals s47C demonstrates this.

Minister Wyatt said s47C
s47C

In relation to a proposal from a not-for-profit organisation to implement a family health and wellbeing framework s47C Minister Wyatt said s47C
s47C

Table 6 shows that, in total, 40 out of 51 proposals were funded (78 per cent), at a total cost of $113.3 million over five years (2017-18 – 2021-22), including $17.2 million in one-off expenditure in 2017-18. Total funding sought through proposals amounted to $122.9 million.

Funding for ACCHS

In its 2018 report, the ANAO found that as at March 2018, $743.5 million of IAHP 2017-18 grant funds had been expended or committed. The largest component of this ($461.5 million, or 62 per cent) was taken up in grants funding to primary healthcare services.

It also found that of the 164 organisations receiving IAHP primary health care grant funding, around 140 (85 per cent) were ACCHS.

As indicated in Table 5 above, just under half (49 per cent) of all unsolicited proposals received came from ACCHOs.

Of the six proposals that related to primary health care services (shown in Table 4), four (66 per cent) came from ACCHSs and three of those were funded, representing 50 per cent of the total number of primary health care proposals received.

This data indicates that while ACCHSs receive the lion's share of primary health care funding allocated under the IAHP Primary Health Care Services theme, ACCHS representation in the overall unsolicited pool of proposals, as well as the pool of primary health care proposals, is less prolific.

The six proposals relating to primary health care were assessed as equitably as possible utilising the Public Health Information Development Unit (PHIDU) data as an evidence base. Located at Torrens University in Adelaide, PHIDU was established in 1999 and specialises in small area statistics in relation to inequality in health and wellbeing and support for opportunities to improve population health outcomes.

[6] s47C

PHIDU provides a range of online data at national, jurisdictional, regional and small area levels for Australia and data is analysed by age, sex and Indigenous status, where possible. The Department considers PHIDU data provides the best evidence base for assessing unsolicited primary health care proposals.

As noted above, of the 53 submissions tested in the scope of the review, 26 were received from ACCHSs, and the remainder were split across not-for-profits, private companies or peak/advisory bodies, State/Territory Governments and two others.

Table 8 shows the ACCHO funding profile approved by the Minister to date.

Table 8 – ACCHS Proposals

	Proposals received	Funded	Not funded	Percentage funded
ACCHS	26*	15	10	60%
Other	27*	25	1	96%

**One proposal in each category is still being considered.*

Finding

There is no evidence of bias by the Department towards preferred providers.

Origin of unsolicited proposals

Table 9, below, shows the Department's recommendations for funding of proposals in relation to their origin, ie the Minister's Office or provided directly to, or emanating from, the Department.

Table 9 – Unsolicited Proposals by Origin

Department's recommendation	s47C
From Minister/MO	
Provided directly to the Department	
Emanating from the Department	
Overall	

Table 9 indicates that while 13 proposals were received directly by the Department, only three were directly sourced or developed by the Department, in consultation with the sector. These related to:

- establishment of a fund for an enhanced response to emerging communicable diseases in Indigenous communities' response to the HTLV-1 s47C and
- proposals from Miwatj Health Aboriginal Corporation and Aboriginal Medical Services Alliance Northern Territory (AMSANT) for regionalisation activities (Pathways to Community Control) in East and West Arnhem s47C

Proposals developed by the Department or in consultation with the Sector s47C s47C in line with the IAHP Guidelines.

s47C

Finding

While there is a small variance, there is no significant discrepancy in assessment undertaken by the Department based on the origin of the proposal.

Part of the difficulty in maintaining consistency when assessing the proposals comes from the very broad nature of the proposals themselves. For example, assessors of primary health care submissions can utilise data on community need and modelling, whereas proposals that are clearly one-off, such as the supply of generators or publication of a book are difficult to assess in relation to any data.

From the sample of 53 proposals considered as part of this review, the IAHP Guidelines have been applied logically and consistently, but on some occasions more detail could have been provided to the Minister on the use of the Guidelines as part of the assessment.

Where proposals could have been considered outside the IAHP Guidelines, and/or by other agencies, other agencies were generally consulted prior to providing advice to the Minister's Office. s47C

s47C

Comparisons with other Divisions

As part of my review, I considered the approach to unsolicited proposals from other divisions in the Department. Across the Department unsolicited proposals are dealt with similarly in process by individual divisions but with differences in presentation. For example, samples of Ministerial Submissions provided by Primary Care and Mental Health Division use a batching process and include advice on how the proposal will be assessed against current guidelines, or where new unsolicited guidelines need to be drafted to enable assessment under the new grants administration arrangements. They do not provide explicit advice on compliance with the CGRGs or the Minster's responsibility if he disagrees with the Department's position. They do, however raise risks and suggest mitigations and provide advice on funding availability.

A similar approach is adopted by the Ageing and Aged Care Services Division. Samples provided do not attach assessments or provide the Minister with advice in relation to his responsibilities under the CGRGs or in relation to his disagreement with the Department's position, but risks and mitigations are clearly articulated and advice on funding availability is also provided.

Ministerial Submissions put forward by IHD sit somewhere between the samples provided by the two other divisions. In respect to this analysis it must be noted that I have seen far more samples from IHD than the other two divisions.

What has been consistent from conversations I have had as part of this review is that the random nature and number of unsolicited proposals being received by the Department generally, and the current differences in methods of assessment and grant allocation may be difficult to manage under the new whole-of-government grant administration requirements. I therefore believe a consistent approach across the Department would be beneficial.

Finding

The Department's use of the IAHP Guidelines in assessing unsolicited proposals has been consistent no matter the origin of the proposal and there is no evidence of bias. However, improvements can be made in providing evidence of the application of the Guidelines in advice to the Minister.

Broader issues

The total number of unsolicited proposals currently being received on a yearly basis by the IHD is higher than would be expected for most targeted grant rounds under the IAHP. Most grant rounds under the IAHP target existing providers, with separate funds ear marked for the introduction of new primary health care service providers. For example, the following numbers of organisations may be invited to submit applications under grant rounds for various sub-programs of the IHAP when they are next run:

- approximately eight under the Connected Beginnings grant round;
- approximately 12 under the Australian Nurse Family Partnership grant round;
- approximately 37 under the Tackling Indigenous Smoking grant round, and
- approximately 165 under the Primary Health Care grant round - the largest sub-program under the IAHP.

Extrapolating the 53 unsolicited proposals received or considered during the six months of this review, more than 100 could be expected to be received annually. By further comparison, the last competitive grant round run under the IAHP was the Major Capital Works round which attracted 115 applications.

Finding

Current processes for considering unsolicited proposals create challenges for the Department in:

- determining value for money in relation to like activities when proposals are assessed individually as they arrive in the Department;
- transparency and potential to support funding if funds were made available openly, and
- providing advice regarding prioritisation of proposals where funding is approved/declined in line with the arrival of proposals in the Department.

Funding provided through unsolicited proposals can also be problematic in that it may provide organisations seeking funding with a 'back door' to recurrent funding for primary health care funding. This conflicts directly with the IAHP new entrants policy which seeks to bring new primary health care providers (Community Controlled or mainstream) into the market, in consultation with the sector, where need is greatest. In particular, funding of primary health care services through unsolicited proposals does not enable consideration of comparative need or ensure support from the sector or community for the new services.

Unsolicited proposals may also be used as an avenue to avoid formal competitive grant rounds. The Major Capital Works round, for example, allows organisations seeking capital funding to be assessed and prioritised for funding. If capital proposals are assessed and

funded through unsolicited proposals, they potentially 'queue jump' without necessarily meeting the same assessment requirements as applicants under the Major Capital Works round. There were five capital works applications included in the sample for this review and four were approved for funding.

The case study below is an example of the use of an unsolicited approach to gain primary health care funding where need had not been determined, and where the introduction of the new service conflicted with the IAHP new entrants policy.

s47C

Had the above proposal been considered as a new entrant under the IAHP policy, its evidence base or the support of the sector or community could have been assessed against and compared with similar proposals. Instead, it has in effect 'queue jumped' via an unsolicited proposal rather than being considered as part of a process.

Funds availability

In the context of future fiscal outlook, Table 10 notes the potential funds available for funding of unsolicited proposals in future program allocation.

Table 10 – New Entrants to Primary Health Care Service Provision – Priority 19

s47C

Table 10 indicates that over the next few years, between $25 million and $30 million a year has been earmarked for use for unsolicited proposals, which have historically been part of the

IAHP. While this is less than has been approved for funding in recent years, the removal from consideration of proposals that are better assessed under established IAHP sub-programs will even out the allocation. Regardless, careful consideration will need to be given to the process for assessing unsolicited proposals in future in order to allocate the limited available funds in an optimal manner.

Use of evidence

As previously discussed, proposals come in a variety of formats, contain varying degrees of information and are likely to be predominantly received from 'in the know' organisations. The random nature of unsolicited proposals and the inability to prioritise according to need due to the requirement to assess proposals as they come into the Department makes it challenging to adopt an evidence-based approach to assessment. However, where possible, data has been used as a basis for assessing proposals and providing advice to Minister Wyatt. This is particularly evident in relation to primary health care proposals, as is demonstrated through the Department's advice in Case Study 2.

Demographics data has rarely been explicitly used to support recommendations but in many cases was not applicable. However, as noted previously, the allocation of unsolicited grant funds appears consistent with service provision to Aboriginal and/or Torres Strait Islander populations in remote regions, but may not cover some urban aspects or potential for investment in this space.

Finding

Where possible, the Department has used data to support its recommendations. However, the use of data could be improved with a more coordinated and contained process for these types of proposals.

Performance assessment

The random nature of unsolicited proposals means it is difficult to implement a program level evaluation process that accurately considers performance across all types of grants, as is being done under the evaluation schedule in place for sub-programs under the IAHP.

Given that the outcomes for proposals included in the sample looked at during the period of review have only recently been decided, and none is yet complete, it has not been possible to obtain data on delivery of outcomes and overall performance.

Management of grants is now being done by the Community Grants Hub (CGH), administered by the Department of Social Services, on behalf of the Department and individual deliverables, such as reports, are included in grant agreements to monitor progress are received and assessed by the CGH. While assessment of the CGH's performance in managing grant agreement is not in scope for this review, I have seen no evidence that grants are not being managed appropriately. Processes are in place with the CGH to alert the Department to performance issues with funded organisations and put in place measures to address problems. As determined by the ANAO audit report, funding agreements entered into by the Department are appropriate and fit for purpose and therefore support the Department's ability to monitor performance.

I also note that a number of the Ministerial Submissions have recommended s47C s47C s47C For example, Case Studies 1 and 2, discussed previously, and Case Study 3, below:

Limitations in the Department's collection and use of performance data was also noted in the ANAO audit report, which the Department is addressing through the introduction of more robust assessment processes for primary health care grants under the IAHP and the development of enhanced performance measurements of program outcomes. These improvements are likely to have broader applicability than primary health care grants.

Finding

While evidence was limited in relation to assessment of performance, progress is being made by the Department in monitoring and managing project performance.

3. DRIVERS FOR CHANGE

The Commonwealth Grants Rules and Guidelines

The CGRGs are issued by the Finance Minister under section 105C of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The CGRGs establish the overarching grants policy framework and expectations for all non-corporate Commonwealth entities in relation to grants administration.

The CGRGs set out seven key principles for better practice grants administration for which all Commonwealth officials must have regard:

1. robust planning and design;
2. collaboration and partnership;
3. proportionality;
4. an outcomes orientation;
5. achieving value with relevant money;
6. governance and accountability, and
7. probity and transparency.

On 29 August 2017 revised CGRGs came into effect with the aim of improving transparency in grant processes across the Commonwealth. This includes a stipulation that agency staff must:

- develop grant guidelines for all new granting activities (including grant programs), and revised guidelines where significant changes have been made to the current granting activity. Grant Opportunity Guidelines (GOGs) must be approved by the Department of Finance (DoF);
- ensure that grant guidelines and related internal guidance are consistent with the CGRGs; and
- in the development or revision of guidelines, complete a risk assessment of the granting activities and associated guidelines in consultation with the Department of Finance and the Department of the Prime Minister and Cabinet.

Further, all grant guidelines must be published on the GrantConnect website, except where there is a specific policy reason not to publicise the guidelines or grants are provided on a one-off or ad hoc basis.

In November 2017 the Department sought clarification from DoF regarding the changes, in the context of planned revisions of a number of existing sets of overarching program guidelines, including the IAHP Guidelines. In June 2018 the Department of Finance advised the Department that:

"*While a program guideline may provide an overview of activities, outcomes and objectives of the program as well as provide a high level split of funding across the sub-programs and priorities, details of grant opportunities should be set out in specific grant guidelines based on the whole-of-government grant guidelines templates.*"

In effect, this means that the IAHP Guidelines are no longer broadly applicable when assessing applications and selecting grant recipients. While the Guidelines still provide a high level framework for the operation of the IAHP, they must be supplemented with individual guidelines for each grant round under sub-programs of the IAHP. This is a new but a relatively straightforward requirement for identified grant rounds, and new guidelines are currently being drafted for a number of sub-programs to reflect this. GOGs are more difficult to implement for large numbers of disparate unsolicited proposals. However, reform of the current processes used for the assessment of unsolicited proposals that is discussed below, could make the CGRG requirements more manageable to implement and unsolicited processes more efficient to administer.

In particular, a new CGRG compliant process is urgently required for the assessment of unsolicited proposals that do not fit within existing grant rounds, noting DoF advice that "*where unsolicited proposals are received after a competitive process has closed, these proposals should be advised of future grants rounds and their applications should be considered as part of the future rounds*". Moreover, "*If there is a decision to consider an unsolicited proposal (the rationale for this should be documented), consideration should also be given to applications that met the selection criteria for the previously held grants round, with the unsolicited proposal comparatively assessed against these applications*".

s47C

Case Study 2 illustrates the difficulty of complying with the CGRGs if the current process for receiving and assessing unsolicited proposals is maintained. Ideally, to comply with the CGRGs, s47C proposal would have been assessed in line with GOGs relating to the program providing funding for an existing service, to enable a comparative assessment of value for money across like projects, or desired outcomes, and a prioritisation of selected proposals against need.

Risk and authority

Risk assessment and management is a key aspect of the CGRGs, which require all agencies to identify and consider all relevant risks throughout the grants lifecycle. As part of this process, DoF has issued a 'Self-Assessment and Risk Analysis' template to accompany all GoGs for which agencies are seeking approval.

In line with the fact that all government spending must be supported by a Constitutional head of power and relevant legislative authority, in addition to an appropriation, the template requires confirmation of the following in relation to the grant opportunities:

- Policy authority for the grant;
- Legislative authority for the grant, and
- Constitutional authority for the grant.

While legislative authority comes from the Financial Framework (Supplementary Powers) Regulation 1997, Schedule 1AA, Part 4, Section 415.026: Aboriginal and Torres Strait Islander Healths47C
s47C
s47C constitutional authority is more complex.

To confirm Constitutional authority, proposed grant activities are submitted to the Australian Government Solicitor for a Constitutional Risk Assessment. This assessment returns a rating of low, medium or high in relation to how the proposed activity fits within the Commonwealth's constitutional powers. The Constitutional risk rating is accompanied by a legislative authority rating (again low, medium or high) which considers whether the Commonwealth has the authority to spend money on the proposed activity, in line with the authority above. The Department is required to cover the costs of these assessments.

This process is currently being used by the Department in relation to recognised sub-programs of the IAHP but has not yet been applied to unsolicited proposals due to their number, random content and the inability to batch proposals as part of a coordinated and cost effective process.

Finding

In line with the requirement for policy, legislative and constitutional authority apply to all government spending, a compliant process must be developed and implemented for unsolicited proposals.

Grant management with the Community Grants Hub

A further consideration is the Streamlining Government Grants Administration Program (SGGAP), which is part of the *Public Service Modernisation Fund – transformation and innovation stream 2017/18* Budget measure. Work on the measure is predominantly being driven by DoF with an anticipated outcome of a smaller, smarter and more productive and sustainable public sector. It aims to transform the way the public service operates by reforming traditional operating models.

In relation to granting models, this means that, consistent with other whole-of-government initiatives, the SGGAP will consolidate and standardise grant services into two centres of excellence (Hubs) to create a common ICT and business platform. It is envisaged that this will improve user experience, enable better policy development through data analytics, and create efficiencies in a fiscally constrained environment.[7]

The following timelines were mandated:

- 15 December 2017 – all agencies were to have consulted with the Hubs to have a transition plan in place that provided a pathway for adopting the Hub's standardised services on an 'end-to-end' basis across the entire grants lifecycle by 30 June 2019.
- 31 March 2019 – agencies must have fully transitioned existing grants to the Hubs, adopting their standardised services on an end-to-end basis.
- 30 June 2019 – the Hubs will implement all in-scope grants.

The Department is on track in relation to the above timelines with 270 grant management staff transferred, along with the grant agreements they manage, to the Hub, in September 2018. This included all existing grants funded under the IAHP. Establishment of all new grants, including approved unsolicited proposals, is now being done by the Hub and the Hub now conducts all business relating to the Establish, Manage and Evaluate stages of the grant lifecycle on behalf of the Department (see diagram on following page).

In mid-2019 the Department will transition all remaining grant lifecycle functions (ie grant Design and Select) to the Hub, making the Department fully compliant with government policy.

[7] Department of Finance DoF 2017, *Whole-of-Government Grants Administration Arrangements*, Estimates Memorandum 2017/40, DoF, Canberra.

Grant lifecycle

Functions moving to the CGH mid 2019

DESIGN

The Design phase of the grant lifecycle includes:

- ensuring policy/legislative authority & assessing Constitutional risk;
- developing Grant Opportunity Guidelines, and
- developing application forms and assessment processes.

⇩

SELECT

The Select phase of the grant lifecycle includes:

- approaching the market;
- receiving and assessing applications; and
- providing recommendations to the delegate.

⇩

ESTABLISH

The Establish phase of the grant lifecycle includes:

- creating and negotiating grant agreements;
- offering grant agreements to service providers, and
- executing grant agreements and all related data entry.

⇩

Functions moved to the CGH in September 2018

MANAGE

The Manage phase of the grant lifecycle includes:

- accepting and assessing reporting/milestone requirements
- compliance checking and risk management;
- payments to grant recipients, and
- finalising grant agreements on expiration.

⇩

EVALUATE

The Evaluation phase of the grant lifecycle includes:

- assessing program efficiency, effectiveness and appropriateness against intended outcomes, and
- identifying improvement opportunities.

The transition to hub-based grants administration is a significant change for all agencies, arguably more so for the Department of Health given that it is the largest Australian Government granting agency, with its grants making up more than half of the Hub's total grant load in terms of numbers of grants. The IHD is responsible for the second highest number of grants within the Department, all of which are funded under the IAHP (see Figures 1 and 2 below).

Figure 1

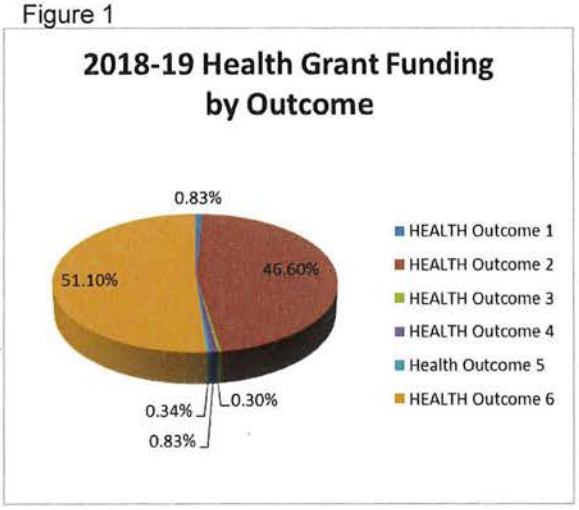
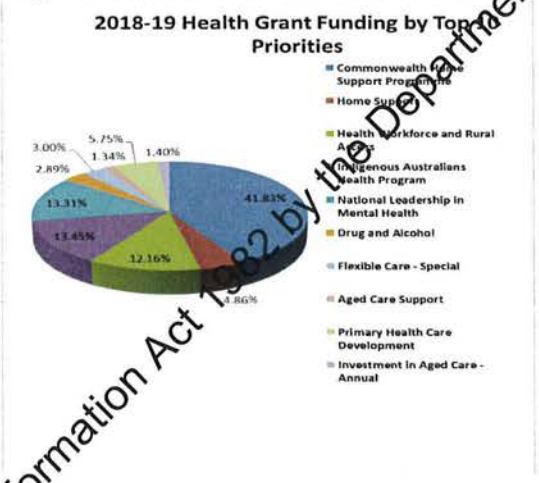


Figure 2



It is important to note that, from mid-2019, assessment of proposals will also be undertaken by the Hub with the Hub making recommendations to relevant Department delegates regarding funding. As the Hub operates in line with the CGRGs, it is clear that there is an expectation that client agencies will organise the allocation of available grant funds through grants rounds rather than via unsolicited proposals. This will make it much more difficult to operate an unsolicited grants process.

Given the challenges with the current Departmental processes in relation to unsolicited proposals discussed in this report, the need to implement new CGRG requirements and the whole-of-government Streamlining Government Grants Administration agenda, I consider that a new compliant, sustainable, efficient and more streamlined approach is required. This is the basis of my recommendations in relation to management of IAHP funding applications in Part 4.

4. CONCLUSIONS AND RECOMMENDATIONS

The current approach to assessment of unsolicited proposals under the IAHP works reasonably well, although improvements should be made.

Analysis of the data indicates that there are only minor differences in the Department's assessment of proposals, regardless of the source of the proposal, the type of organisation that seeks funding or the purpose of the proposal. However, s47C
s47C

Some of this variation is due to a lack of information provided by the proposer. But some of it is due to the inconsistent application of the IAHP Guidelines, including the manner in which assessments are presented to the Minister. Improvements need to be made to ensure a consistent approach to the use of the assessment templates across all parts of IHD.

In relation to performance management, there has been clear progress. For example, trials and evaluations are being used to a greater extent. However, more could be done in this area, particularly as part of the imminent full transfer of grants administration to the CGH.

Having said this, there are a number of serious problems with the current arrangements for unsolicited and ad hoc proposals.

Firstly, the nature of the process itself creates an inherent bias towards those 'in the know'. This means that many (possibly worthy) organisations are missing out on opportunities to seek funding.

Secondly, there is no structured mechanism for assessing relative priorities in the use of available funds (other than the binary choice of fund or not fund proposals put forward). There is clearly a case for having available a source of flexible funds to use in situations of emergency need, emerging priorities etc. However, the current process does not do this adequately.

This becomes even more important when there is a constraint on available funding. Future funding is likely to be in the vicinity of $25-$30 million a year. Combined with the pressure for ongoing funding from past and current decisions on unsolicited proposals and other key flagship programs under the IAHP, this suggests that a more structured process will be required. Such a process should be based around a relatively fixed, up front budget, an open invitation for organisations to apply for funding and an indication from the Department of the types of proposals that are likely to be funded and do not duplicate IAHP sub-programs. In my view, these guidelines should give extra weight to innovative approaches to providing health care to Aboriginal and Torres Strait Islander people.

The need for a process along these lines is amplified by the need to comply with the 2017 CGRGs issues by DoF and the manner in which these will be interpreted and used by the CGH. Those guidelines require unsolicited proposals to be assessed against unsuccessful applicants from previous funding rounds in IAHP sub-programs. In essence, they require a prioritisation process to be put in place.

Based on these conclusions, I make the following recommendations:

Immediate term

Recommendation 1

The Department adopt a single assessment template to be used and attached to all advice being provided to the Minister to complete assessments of all remaining unsolicited proposals.

Recommendation 2

The Department and the Minister agree cease accepting new unsolicited proposals for assessment as soon as possible but by no later than 30 June 2019 and provide advice to potential funding applicants that a formal funding round is being developed to open no later than early in the 2019/20 Financial Year. This recommendation takes into account the relatively small amount of uncommitted funding remaining in the 2018-19 financial year.

Recommendation 3

Proposals already accepted for assessment that better fit under existing Grant Opportunity Guidelines (either within the Department or other agencies) are referred to relevant grant rounds, in line with DoF advice, for assessment against and prioritisation against like activities and funded if funds are or become available.

Medium term – by 30 June 2019

Recommendation 4

A formalised grant round is included under the IAHP to accommodate emerging priorities in a batched process to improve efficiency and consistency of assessment and advice and enable the prioritisation of proposals to ensure optimal value with available funds. Such a round should be conducted annually, commencing in 2019-20, and be an open approach to market taking into account:

- needs-based assessment to inform Grant Opportunity Guidelines;
- transparency for all organisations (mainstream or community control) to apply;
- a robust and defensible evidence-based assessment process;
- Ministerial flexibility to consider grants once they are assessed, and
- the establishment of a pool of suitable proposals which may not initially receive funding, but may receive funding later in a financial year if more funds become available through underspends in other commitments.

Recommendation 5

An amount of $25 million per annum is initially allocated to fund grants under the new round, with the funding amount to be reviewed prior to further rounds.

Recommendation 6

In support of Recommendation 1, Grant Opportunity Guidelines are developed that target emerging priorities and ideas that do not currently fit under existing grant rounds, in line with priorities of the Government of the day. These Guidelines should place strong emphasis on innovative approaches to improving the health of Aboriginal and Torres Strait Islander people.

Recommendation 7

Opportunities for further consolidation of activities funded under the IAHP are investigated in line with the CGRG requirements for Grant Opportunity Guidelines to enable organisations further opportunities to be considered for funding under established rounds.

5. APPENDICIES

Appendix A – Data Table

Appendix B – Assessment Templates 1 & 2

Funding sought (GST exclusive)	Activities	Assessment Summary	Options	Risks for Options
Organisation Name…				
$XXXXX **One off/ongoing**			Option 1 (Recommended) **Agree** to fund one-off $ up to a total of $ (GST exclusive) in 2017-18	
			Option 2 **Agree** to decline the funding proposal	
			Option 3 **Agree** to fund the proposal of $ in recurrent funding	

DETAILS FOR JUSTIFICATION

Applicant:

Details of the proposed grant	
Previous briefs relating to this proposed grant, if any	
Guidelines for this Grant	The Indigenous Australians' Health Programme Guidelines: – Improving access to primary health care for Aboriginal and Torres Strait Islander people.
Details of the application process, selection criteria and selection process	The Department undertook an evaluation utilising existing departmental information and the ad-hoc proposal process which meets the CGRGs.
Justification of recommendation, including the merits of this grant relative to the grant guidelines and the key consideration of achieving value for money	
Is funding being awarded in the Minister's own electorate?	
Other information/or Minister's reasons (including, if applicable, any conditions placed on the approval or the Minister's reasons for choosing to approve any grant that the Department has not recommended)	