



Implementing Flexible Funding Information Pack

December 2005
Version 3



CONTENTS

About This Information Pack	3
Flexibility Principles	4
Flexible Funding Explained	5
The Flexible Funding Process	8
Figure 1: Flexibility Process Flowchart	9
Roles in the Flexibility Process	10
Accounting for Flexibility	12

Appendix 1

- Flexibility FAQ
- The Service Provider Flexibility Checklist & DHS Flexibility Checklist
- Plan of Service Intent Summary Template

ABOUT THIS INFORMATION PACK

The Flexibility Information Pack has been designed for service providers funded by the Department of Human Services (DHS) and DHS staff members who liaise with them.

The purpose of the Flexibility Information Pack is to explain how funded agencies can approach their regional office to discuss their plans about flexible use of DHS funds. For those funded agencies that informally already use DHS funds flexibly, there is information about how you can formalise your current arrangements.

In addition, the Flexibility Information Pack provides information and resources for DHS regional office staff. These materials can be used to assist discussions about the flexible use of DHS funds during the 2006-09 service agreement negotiation period.

By introducing flexibility into its funding arrangements with the sector, the department's intent is to support funded providers to develop services that are responsive to client needs at the local level. The aim of flexible funding is to ensure that all Victorians, especially disadvantaged Victorians, will be offered the best arrangement of services by their local DHS funded agencies

Flexibility Principles

Context

The Department of Human Services and funded service providers work in partnership to deliver responsive, efficient, integrated and client-focused services. Within this partnership, funding flexibility and reduced administrative complexity offer opportunities to improve the delivery of services.

Principles

1. The department is committed to increase flexibility in its funding of the service sector to improve services and reduce administrative complexity where that will improve services.
2. The department encourages proposals from service providers for the flexible use of departmental funds, both current and planned, to improve service delivery. This could include opportunities to work collaboratively with other agencies or programs to achieve shared objectives.
3. The department commits to negotiate with the service provider the parameters of planned or current flexible use of DHS funds in the context of local, regional and statewide considerations.
4. The Consultation and Collaboration Protocol and the MAV Partnership Protocol will guide the development and consideration of all flexible funding proposals.
5. The department's service contract with the service provider will incorporate agreed flexible funding arrangements.
6. The department will use evidence gathered through flexible funding negotiations to inform its ongoing reform of program funding guidelines and business processes.

Flexible funding explained

Flexible funding put simply

Flexible use of DHS funds means that service providers can put program funds together to supply a mix of services required by particular client cohorts. It is not about substituting funds from one program to 'top up' another. Using DHS funds flexibly means that a service provider can:

- Combine funding from a number of distinct output groups to deliver a responsive or integrated service for clients.
- Roll-up' funding attached to related activities within an output group to deliver a responsive or integrated service for a particular client group.

Some examples from pilot agencies of flexible use of DHS funds are:

1. Integrated services for young people with complex needs:
 - Funds from Child Protection and Placement combined with funds from Drug Treatment Services, Mental Health and Homelessness Assistance combined to offer an integrated service to young people.
2. People with complex needs and a history of homelessness:
 - Integration of Mental Health, HACC and Homelessness Assistance funds to support a team that offers intensive outreach, crisis support, recreation and group work.
3. Un-serviced clients offered an accessible drug and alcohol service:
 - Re-structure with up-skilling of staff across 12 program areas within Drug and Alcohol team (26 staff)
 - Development of centralised intake (using Service Coordination Tool Templates)
 - Efficiency created by centralised intake and staff team restructure, providing capacity to deliver an after hours drug service targeting a new clientele.

Increasing funding flexibility means including a discussion of a service provider's planned or current flexible use of DHS funds in the usual service agreement negotiations. This approach is intended to support planned and responsive, client-focussed services and is consistent with the current emphasis on making it easier to work with government.

Some service providers have told us that they have ideas for how they could deliver better services to clients if they were able to negotiate more flexible use of DHS funds. Others have told us that informally they already use their DHS funding flexibly to create integrated services. For the latter group, while flexible practice remains informal providers are denied the opportunity to 'showcase' their innovative work more broadly. In addition, these agencies are investing effort in reporting data that does not truly represent their work and DHS is collecting data from them, which does not accurately reflect what's occurring 'on the ground'.

Service providers who informally use DHS funds flexibly add that they carry an extra administrative burden when reporting on integrated services because they have to 'unpick' service activity to report multiple sets of targets to the various DHS program funding sources. Service providers who would like to use DHS funds flexibly say that the reporting complexities act as a disincentive to setting up integrated services.

Acknowledging and formalising flexible arrangements will assist the department gather evidence about the flexible practice that presently exists including the nature and scope of reporting and other issues associated with integrated service delivery. The development of an evidence base about flexible funding will facilitate strategic reform of DHS business processes into the future.

Flexible funding explained

Funds flexibility 2005-09

During 2004 and 2005 the Flexible Funding project worked with a group of pilot agencies that used DHS funds flexibly in order to offer clients more responsive and integrated services. The pilot agencies will continue their flexible use of DHS funds during 2005-06.

Service providers that have a contract relationship with a regional office are invited to contact the department to discuss their flexible funding options in preparation for the 2006-09 service agreement, specifically:

- a. The eight Flexible Funding pilot agencies
- b. Agencies that want to negotiate new flexible ways of doing business that will yield direct benefits to clients
- c. Agencies already informally using DHS funds flexibly.

There are two service types that are excluded from the general invitation above. They are:

- d. Metropolitan hospitals
- e. Kindergartens.

For service providers who are preparing a flexibility proposal, please note that funding sources listed below cannot be used:

- f. Funding for ambulance services
- g. Funding assigned to statutory or forensic services
- h. Individualised funding for clients.

Part of usual business practice

How much and what type of service will be delivered is a fundamental part of the usual discussions that take place between DHS regional staff and service providers when negotiating the Service Agreement. The discussion of the flexible use of DHS funds will be part of that usual process.

Details of the agency's flexible use of funds, the service offered and the rationale for the service can now be included in negotiations and formalised in the 2006-09 Service Agreement or through subsequent Service Agreement Variations.

With the service provider, DHS staff will consider the planned or current flexible practice in the context of local, regional and statewide priorities and service demand. Other matters that will be discussed with the service provider are the likely impact of flexible use of DHS funds on:

- Client access to services
- Waiting lists
- Hospital demand
- Specialist services
- Statewide and regional services
- Disadvantaged communities

Service providers are advised, when planning flexible use of DHS funds, that there must be no negative impact on service delivery and that the budget impact needs to be cost neutral.

The flexibility broker

Two Flexibility Brokers will be available for eighteen months to assist service providers and DHS staff involved in the negotiation and formalisation of flexible use of DHS funds. The Flexibility Brokers will be employed by DHS and be managed by the Operations Division.

Flexible funding explained

The Flexibility Broker role has three principal responsibilities:

1. Assist and support stakeholders to present new flexible proposals and/or formalise their current flexible practice
2. Further develop an evidence base about flexible practice and its benefits to clients
3. Recommend to the department further reforms of business practice required to support and extend flexible use of DHS funds.

What is the relationship between the Flexibility Broker and other DHS staff for example, regional office or program staff?

The Flexibility Broker is a resource to both DHS staff and service providers. Their role is to assist, support and advise. The Flexibility Broker will also be involved in shared tasks associated with formalising agency flexible funding arrangements.

When does the Flexibility Broker become involved?

When service providers discuss their flexible use of DHS funds with the region, the regional office staff will routinely make contact with the Flexibility Broker to inform them of the agency's flexible practice. DHS staff and service providers can contact the Flexibility Broker for advice or information or for assistance when formalising flexible practice.

How do I contact the Flexibility Broker?

The Flexibility Broker will be located in Operations Division, 555 Collins Street Melbourne and can be contacted via phone or email. For details check the Flexible Funding website.

Developing the evidence base

Key findings from the flexible funding project have provided the beginnings of an evidence base about the relationship between flexible funding and integrated service delivery. We know that there are many factors, which need to be in place to support responsive service delivery for example, planning processes, appropriate governance and program structure and streamlined reporting. However, to progress the development of business systems to support responsive service delivery we need more information to answer questions like:

- Are there particular client groups for whom integrated services work well? If so, which client groups are these?
- Which DHS funding streams are more likely to be put together to create a service response?
- Are certain service types more likely to integrate services and mix funding streams?
- What are the reporting issues associated with integrated service delivery?
- Are there any effects on the integrity of data reported to the department when funds are used flexibly?
- Is there a metro/rural difference in how and why funds are used flexibly?
- What is the extent of flexible use of DHS funding at present?

During 2006-09 the Flexibility Brokers will collaborate with regional office staff and service providers to collect information about flexible practice in order to develop a robust evidence base.

The flexible funding process

Steps in the process

In Figure 1 below the Flexibility process is diagrammatically presented. There are six steps in the process:

1. The Service Provider makes contact with the regional office about planned flexible use of DHS funds or current, informal flexible practice. Alternatively, DHS regional staff can ask the service provider about their flexible use of DHS funds during usual business contact.
2. The Service Provider and DHS regional staff members meet to discuss planned or current flexible use of DHS funds. The service provider brings information that includes: rationale, target group, service model & processes, services, staffing, funding streams involved and amounts, realised or anticipated benefits to clients.
3. DHS regional staff members liaise with the Flexibility Broker and programs about the service provider's planned or current flexible practice considering the local, regional and state service context.
4. DHS regional staff and if appropriate the Flexibility Broker and program staff, provide feedback to the service provider and reach agreement about the planned or current flexible arrangements.
5. DHS regional staff formalise the agreement in the Funded Agency Service Agreement using the Flexible Funding service plan template.
6. All stakeholders contribute to the evidence base about flexible practice: the benefits to clients and the issues to be resolved.

Please refer to Figure 1 below for more detail.

Resources

A suite of tools, some of which have been trialled by the Flexible Funding pilot agencies, has been developed to assist both service providers and DHS staff review agency flexible arrangements. They include:

Flexibility FAQ: Key questions about the flexible process are answered in the FAQ

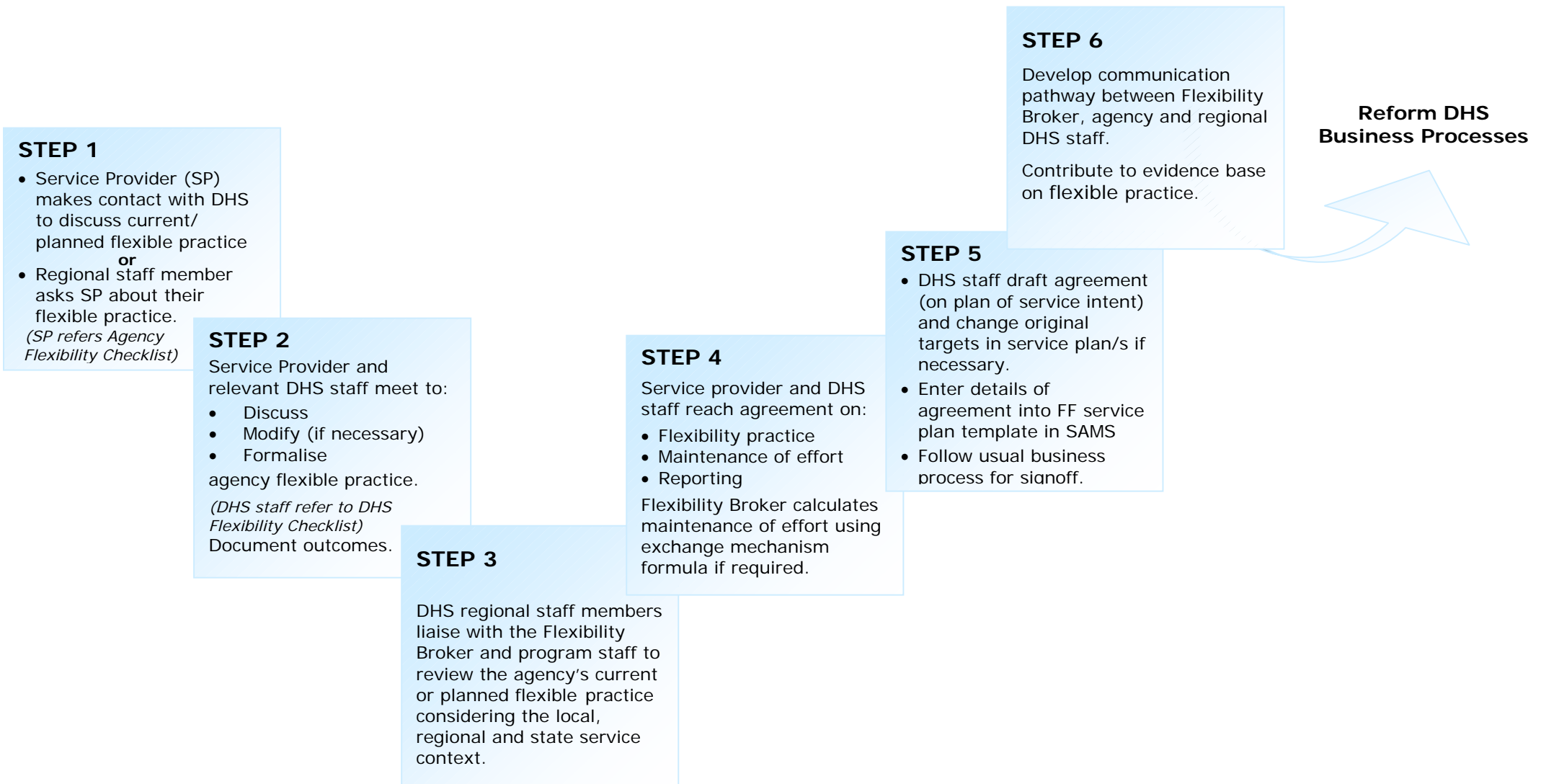
Agency Flexibility Checklist: For use by the service provider in preparation for a meeting with DHS staff to formalise flexible arrangements.

DHS Flexibility Checklist: For use by DHS staff in preparation for a meeting with a service provider to formalise flexible arrangements.

Plan of service intent summary template: This is a tool that can be used by the service provider and/or DHS staff to draft the details of the flexible arrangement.

Copies of the resources are included in Appendix 1.

Figure 1 FLEXIBILITY PROCESS FLOWCHART



FLEXIBILITY BROKER AVAILABLE THROUGHTOUT PROCESS TO AGENCY AND DHS STAFF

Roles in the flexibility process

Funded service provider

What are my responsibilities?

- Prepare relevant information about your planned or current flexible use of DHS funds including: rationale, target group, service model, funding sources and amounts, benefits to clients.
- Meet with DHS staff to discuss how you are presently using or how you plan to use DHS funds flexibly to best serve the needs of your community.
- Reach agreement with the department about your flexible arrangements and fill in the plan of service intent template with your local DHS contact.
- Sign the service agreement in which the flexible agreement will be included.
- At any stage, make contact with the Flexibility Broker if you would like more information or advice about the flexibility process.

DHS regional staff: PASA/lead negotiator

What are my responsibilities?

- Disseminate information about DHS flexible approaches in the usual course of DHS business.
- During usual business contact with the service provider, ask if the provider has plans to use DHS funds flexibly or is currently doing so. If the response is positive, invite the service provider to discuss it further with a view to formalising the arrangement in the 2006-2009 service agreement.
- Advise and support service providers interested in formalising their established and/or flexible use of DHS funds. Meet with the service provider to discuss their flexible arrangements. The plan of service intent template can be used as a tool to be filled in with the provider.
- Make contact with the Flexibility Broker and relevant divisional staff and with them discuss and appraise the service provider's present or planned flexible use of DHS funds.
- Provide feedback to the service provider and reach agreement about the flexible use of DHS funds including agreement on targets to ensure maintenance of effort.
- Document the draft agreement or place a copy of the completed plan of service intent on the agency's file.
- Follow usual business practice for registering details of the agreement in the Flexible Funding service plan template of the Service Agreement, drawing on the information documented on the plan of service intent template or noted in the agency file.
- Adjust targets in the relevant service plans if required.
- Monitor services supported using DHS funding flexibly through usual business processes.
- Liaise and meet with the Flexibility Broker.
- Assist the Flexibility Broker gather evidence about the flexible use of DHS funds
- If you are unsure or would like more information about the flexibility process at any stage, make contact with the Flexibility Broker and seek advice.

Roles in the flexibility process

DHS central office staff: programs

What are my responsibilities?

- Support flexible approaches to the use of DHS funds.
- Respond to inquiries from regional or other DHS staff members regarding a service provider's flexible use of DHS funds.
- Participate in negotiations with service providers and other DHS staff, where appropriate.
- Collaborate with the Flexibility Broker.
- Use evidence gathered about flexible use of funds to inform future program guidelines.

The flexibility brokers

What are the responsibilities of the Flexibility Brokers?

- Liaise and work with all stakeholders involved in negotiating flexible agreements; this includes active participation, as well as the provision of information, guidance and advice.
- Assist DHS staff to ensure that effort is maintained. Apply the exchange mechanism if required and assist in the calculation of targets to be agreed between the service provider and the relevant departmental staff.
- Collaborate with the appropriate DHS staff and the service provider to collect information about flexible practice.
- Systematically document and analyse information about flexible practice by DHS funded services to build an evidence base that can be used to further reform relevant DHS business practices.

The sector

What are the responsibilities of the sector, peak bodies etc?

- Promote the development of new service models using DHS funds flexibly throughout the sector.
- Work in partnership with the department to encourage service providers to formalise current flexible practice.
- Contribute to the development of an evidence base about flexible funding and delivery of integrated services to clients.
- Promote the outcomes of the implementation of Flexible Funding.

Accounting for flexibility

Service providers have asked us to reduce the 'red tape' associated with administering government funds, which includes streamlining reporting requirements. They would prefer less reporting and to report on actual service delivered rather than pre-set targets, which may not provide accurate information about services delivered.

The department is aware of the issues raised by the sector and is committed to make it easier to work with government. Recently, work has been initiated within each DHS program area to reduce and simplify DHS business arrangements. Some examples of this work are:

- a. The department is making a large investment in Healthsmart and Client Services Model to provide an electronic environment that will simplify its business processes significantly.
- b. The Financial & Corporate Services Division has reviewed DHS information & communications technology. DHS Executive approved more eBusiness work that will yield substantial systems efficiencies to the sector.
- c. RRHACS & MHACS are working together to develop the Ambulatory Care Framework, to streamline the shared work of the acute, subacute and community sectors by increasing flexibility to better meet client needs.
- d. The RRHACS division has developed a common client data set across three programs that will be introduced during 2005-06. Work is continuing on a common service data set across the three programs.
- e. The Small Rural Health output has simplified funding processes for 66 small rural health services.
- f. The Disability program has reviewed and simplified its activity structure and reporting processes as well as having introduced client focussed individualised funding.
- g. The Office for Housing through the Victorian Homelessness Strategy is presently reviewing the Homelessness Assistance Funding Model with the aim of simplifying its funding to providers.
- h. The Continuing Care program has simplified funding and reporting of subacute services by consolidating numerous funding streams and launching a Subacute Ambulatory Care minimum data set.
- i. In the Aged and Home Care program, the quarterly data collection requirement for Home and Community Care funded services has been removed, which has reduced reporting requirements.
- j. Unit pricing is being introduced to the Psychiatric Disability Rehabilitation Support Services sector, which will rationalise and increase transparency of funding to that sector.
- k. During 2005, the Business Development Branch has rationalised service agreement performance measures to reduce, simplify and standardise performance measures.

DHS has an obligation to meet its targets and to account to government, but DHS is also interested in the quality of data reported and is committed to improve the viability and capacity of the service sector it funds.

In the short term, because of the present accountability responsibilities that DHS carries, there is little room for significant change of reporting processes where DHS funds are used flexibly. Notwithstanding, there may be some arrangements that can be agreed between service providers, regions and programs to streamline aspects of reporting on integrated services.

Accounting for flexibility

Flexible funding and accountability

Service providers say that the reporting requirements are sometimes onerous. The Flexible Funding project has highlighted some of the issues that providers have reported. Both service provider and DHS have an obligation to ensure that when funds are used flexibly that effort is maintained in relation to the quantum of dollars received.

Maintenance of effort

In order to provide a level of confidence that effort is maintained in a flexible funding environment, an exchange mechanism (EM) has been developed that can be applied to funds from various DHS sources. The Flexibility Broker will apply the EM or work with DHS staff to apply it so that new targets can be developed and agreed.

Appendix 1

Resource Tools:

Flexibility FAQ

Service Provider Flexibility Checklist & DHS Flexibility Checklist

Plan of service intent template

FLEXIBILITY FAQ - What if?

1. What is flexible use of DHS funds?

Flexible use of DHS funds occurs when service providers use funding that pertains to particular activities in a different way to that intended or specified by the activity name. The actual service delivered to the client usually achieves the goal intended for the use of the funds, but may do it in a different way.

Alternatively, funding from a number of activities from distinct output groups can be combined to deliver a responsive or integrated service for a particular client group. For example, funding associated with the Housing Assistance and the Psychiatric Disability Rehabilitation Support Service outputs could be combined to deliver an integrated service to vulnerable clients with mental health issues who are at risk of homelessness.

2. When can a service provider make contact with the department to discuss flexibility arrangements?

The best time to discuss flexible use of DHS funds is when the 2006-2009 service agreement is being negotiated. However, service providers are welcome to make contact to discuss their flexibility arrangements at any time, but formalisation of their arrangements will occur within the 2006-09 service agreement.

3. What information from the service provider is needed?

The department is interested to know about the 'fashioning' of services by agencies that best meet the needs of a local community. When you are negotiating your 2006-09 service agreement have ready information about:

- Why you developed or are interested to develop the service model
- Who is/would be targeted
- What services are/will be provided
- What amounts of funding and which funding streams are/would be used
- Information about benefits to clients.

4. Who is responsible for initiating the discussion about flexible use of DHS funds?

- A communication from the department to service providers about flexible use of DHS funds will be distributed.
- The lead negotiator is responsible for following up that communication with a question about whether the service provider uses DHS funds flexibly or has a proposal to do so during usual business contact prior to negotiations of the 2006-09 service agreement period.
- Alternatively, the service provider may approach a PASA to discuss the agency's flexible use of DHS funds. The PASA would inform the relevant regional program manager.

5. Who is involved in the formalisation of a service provider's flexibility arrangements?

The regional office PASA and the chief executive officer of a funded agency usually negotiate the service agreement. Because flexible use of DHS funds may cross programs either a nominated program manager or the lead negotiator for the agency may be involved in the discussion as well.

FLEXIBILITY FAQ - What if?

6. What if the service provider's flexible use of DHS funds appears to be unacceptable to the department when it is first presented for discussion?

DHS is inviting service providers to come forward to discuss present or planned flexible use of funding so that the best service can be offered to clients. The department's response to an agency's proposal will be informed by the partnership principles, particularly cooperation and transparency.

A departmental staff member, for example a local regional program manager, will contact the service provider to explain the department's position and offer advice as to how to modify the flexible arrangements in order to come to an agreed position. The flexibility broker could also work with the agency to assist with the development of an appropriate service model.

7. Will the Flexible Funding process increase the workload of DHS staff members who work with service providers?

Talking with service providers about the services they are presently delivering is part of usual interaction between program and service advisers and agency staff. Discussing services that are funded using DHS funds flexibly may expand that usual conversation. Noting the details of a flexible arrangement on the plan of service intent and entering the details into the Flexible Funding service plan template of the FASA will be a small addition to the usual work of a PASA.

8. What is the relationship between the plan of service intent and the Service Agreement or the Service Agreement Variation?

The plan of service intent is a tool provided to help set out the details of an agency's flexible use of DHS funds. As it is not part of the formal service contract between the department and the agency, the details contained in the plan of service intent are entered into Flexible Funding service plan template of the Service Agreement or SAV.

9. What is an Exchange Mechanism?

The EM is an estimation method capable of measuring transfer of **capacity** from one activity into another **within or across output groups/outputs**. The EM is a tool that when applied aims to express a quantum of one activity as a different quantum of another activity for the same funding amount.

10. When is the Exchange Mechanism applied?

Ideally, the EM is applied by the Flexibility Broker on the draft agreement reached after discussion between the service provider and the department. The targets against the integrated service can then be calculated and if necessary, new targets agreed.

11. What is the relationship between the recently introduced Budget Management System, the Monitoring Framework and Flexible Funding?

These are three recent departmental initiatives that are being implemented via regional offices in the latter part of 2005, which all have an impact on the work of regional staff specifically, the PASA.

The Budget Management System is designed to improve the internal budget processes of the department and as such has no direct relationship to Flexible Funding.

The purpose of the Monitoring Framework is to build a sustainable funded human services sector by strengthening and monitoring accountability arrangements. If there are serious concerns about an agency's viability, ascertained through the Monitoring process, that information would be considered and discussed with the agency if they were proposing flexible use of DHS funds.

Table 1 Service Provider Flexibility Checklist

Service Provider Flexibility Checklist

When meeting with DHS staff to discuss your current or planned flexible use of DHS funds, bring any information that relates to the points below:

- The rationale for the flexible use of DHS funds and the service response you have developed.
- Details of the service response, the model, target group, services offered, staff numbers and profile.
- The source and amount of DHS funds that you propose to use or that are being used flexibly.
- How the work will be reported and/or is presently reported to the department.

In addition, bring information about actual or anticipated flexible use of DHS funds:

- Benefits for clients of the service response supported by flexible use of DHS funds
- Benefits for the organisation
- Benefits for staff
- Barriers or constraints

Table 2 DHS Flexibility Checklist

The DHS Flexibility Checklist

Talking with service providers about services is a usual part of DHS business. Questions about flexible use of DHS funds can form part of that usual business interaction.

Approaching a service provider regarding flexible use of DHS funds:

- Your conversation would usually be with the CEO or acting CEO of the organisation.
- You might want to refer to the recent letter that was sent from the department regarding Flexible Funding.
- You might need to explain what constitutes 'flexible use of DHS funds' (Refer to the section Flexible Funding Explained and/or the Flexible Funding FAQ).
- Ask if the service provider is interested to develop plans to use DHS funds flexibly or is currently using DHS funds flexibly to deliver integrated services to clients.
- If so, set up a meeting to further discuss their plans or current arrangements with a view to formalising them in the 2006-09 service agreement.
- Advise the service provider of the process (Refer to Figure 1) and ask them to bring to the meeting information about:
 - *Rationale*
 - *Client target group*
 - *Service model, processes, staffing*
 - *Outcomes or consumer feedback*
 - *Details of the funding used flexibly*
 - *Reporting practice*
- Once a flexible arrangement has been agreed, enter the details onto the Flexible Funding service plan template including activities, funding amounts and targets. Additional information can be entered by clicking on the 'Other requirements' tab.
- If there is anything you are not sure about, make contact with the Flexibility Broker and tell the service provider that you will get back to them with information.

A service provider might approach you and say that they would like to formalise their current, informal, flexible use of DHS funds or are interested to use DHS funds flexibly.

- Invite the service provider to a meeting to further discuss flexible use of DHS funds.
- Advise the service provider of the information to bring to the meeting (see above).

PLAN OF SERVICE INTENT SUMMARY TEMPLATE

Total Service Agreement Funding \$

Agency name:

Target Group	Service Response	Service Response Program	Geographic Area	Budget Allocation	Unit of Output measure	Volume of Service	Funds Source & details				Reporting Requirements	
							Activity Name	Activity Name	Output Group	Amount		
1												
2												