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Process for Recognising 'In Kind' Contributions from Jurisdictions

August 2001

The Australian Council for Safety and Quality in Health Care was established in January 2000 by all Australian Health Ministers to lead national efforts to improve the safety and quality of health care, with a particular focus on minimising the likelihood and effects of error. Council reports annually to Health Ministers.

This document is an attachment to Council's second report to Health Ministers - *Safety in Practice — Making Health Care Safer, Second Report to the Australian Health Ministers' Conference 1 August 2001*.

Further information on the work of the Council can be found at www.safetyandquality.org or from Council Secretariat tel 02 6289 4244, fax 02 6289 8470 or email safetyandquality@health.gov.au

Acknowledgments

The Australian Council for Safety and Quality in Health Care would like to acknowledge the role played by the State Quality Officials Forum in the process to produce this document.

Introduction

The purpose of this document is to set out a process for recognising jurisdictional funding of nationally significant safety and quality improvement activities as part of the Australian Council for Safety and Quality in Health Care's national program of work.

The State Quality Officials Forum assisted Council in developing this process.

Executive Summary

Jurisdictions may contribute in cash or "in kind" to meet an agreed level of contributions. This involves some risks for Council:

- "in kind" contributions reduce the amount of direct funds available for Council to distribute to initiatives under the Action Plan;
- the work recognised as "in kind" contributions might not represent the best use of funds in achieving the goals of the Action plan;
- Council needs a reliable basis for reporting the value of work done under the Action Plan.

It is proposed that proposals for recognition of work as "in kind" contributions should be subject to the same process and disciplines as any other proposal taken to Council for funding support. This means there should be a Scoping Paper considered by a Working Group and approved by the Executive. This would lead to a Statement of Requirement and a project costing submitted for agreement by the Secretariat. (Figure 1 sets out this process diagrammatically).

In this way Council would be assured of the relevance of any work accepted and the validity of the costs reported for work done under the Action Plan.

Summary of Recommendations

Recommendation 1:

Any amount of "in kind" contributions can be recognised but the cash contribution from a jurisdiction must be at least 50% of the agreed total contribution.

Recommendation 2:

A proposal for recognition of work as an "in kind" contribution should be set out in the form of a Scoping Paper and Statement of Requirement. These will be endorsed by the State Quality Officials Forum and taken to the Executive for approval of the proposed work in the same way as applies for any other project.

Recommendation 3:

Where a Statement of Requirement is approved for "in kind" contributions the proponent should submit a statement of costs for agreement by the Secretariat.

Purpose

A target of \$50m has been agreed by Health Ministers for contributions from participating jurisdictions for projects under the National Action Plan. It is acknowledged that some work may be counted as a contribution “in kind” thereby reducing the cash contribution from the relevant jurisdiction. This paper sets out a process for managing “in kind” contributions so that Council can be assured that such work is consistent with the Plan and that the \$50m target will be achieved.

Background

The National Action Plan will involve a mixture of commissioned projects and linkages with existing work. This approach is described in the National Action Plan 2001 page 10:

“In order to ensure that effort is not wasted, the Council recognizes the importance of developing the right linkages with organizations and other bodies of work. In this regard the Council is particularly looking forward to working with the state quality councils that are currently being formed in each state and territory.

The Council has pro-actively sought opportunities to build on the existing work of states and territories and for jurisdictions with particular interest and expertise to lead bodies of work on behalf of the Council. Lead jurisdictions will work closely with the relevant Council working group and in consultation with the State Quality Officials Forum, the Council will develop memoranda of understanding that will set out the criteria for managing this process.

In the majority of cases the Council anticipates undertaking tender processes for other work that it commissions”

Funding Process

Jurisdictions have agreed to contribute a total of \$50m through cash and “in kind” contributions. An overall target contribution has been agreed for each jurisdiction. Cash contributions paid by jurisdictions represent a net outflow of budgeted funds and will be paid into the Commonwealth Safety and Quality Council Special Account. This process allows clear identification of the cash amounts contributed. At present there is no corresponding process that will allow identification and measurement of “in kind” contributions from each jurisdiction.

Similarly it will be easy to identify the cost of work performed on projects under the Plan for those cases where payments are made from the Account. But there is no process at present to measure and report the value of work recognised as “in kind” contributions towards the various priority areas or projects under the Plan.

Advantages of “In Kind” Contributions

The usual budgetary constraints mean that any cash amounts contributed will represent funds diverted from other priority activities, and possibly from areas with goals related to those in the Action Plan.

Recognition of “in kind” contributions may provide an incentive for better targeting or redirection of existing work to align more closely with the Plan.

“In kind” contributions provide a means to reward and reinforce work relevant to the Plan that is being undertaken by a state or territory.

Disadvantages or Risks

The ability of Council to commission higher priority new work may be reduced to the extent that cash is displaced by “in kind” contributions.

Existing work might not represent the best use of funds in the context of the Action Plan. There could be an incentive for jurisdictions to claim credit for “in kind” work which would not have been rated by Council as being worthy of funding under the Plan.

There is no easy way to measure the value of “in kind” contributions so as to ensure each jurisdiction is meeting their agreed target and to allow reporting on the value of projects under each priority area.

Proposed Responses to Risks

Cash displaced by in kind

The total amount of cash to be contributed to meet the overall target would be reduced by the value of in kind contributions for each jurisdiction.

Although there is no objective basis to determine the extent to which contributions should be made in cash for distribution to projects by Council, it is suggested the minimum cash contribution from each jurisdiction should be 50% of the agreed amount so that at least \$25m will be available for distribution.

This means it is possible the target could be over-achieved if “in kind” contributions exceed 50% of the target amount.

Recommendation 1:

Any amount of “in kind” contributions can be recognised but the cash contribution from a jurisdiction must be at least 50% of the agreed total contribution.

Achieving best use of funds

There is not much point recognising “in kind” contributions unless the work is meeting the goals of the Action Plan. Council already has a process for assessing the priority and relevance of projects through Scoping Papers which are prepared for Council by Working Groups. After a Scoping Paper has been approved by Council Executive, a Statement of Requirement is prepared by the Secretariat. The Statement of Requirement defines a body of work to be performed in accordance with the goals of the Action Plan. No project will receive funding unless a Statement of Requirement exists.

The relevance and priority of a “in kind” contributions could be established through the same process. This would provide the required assurance for Council that any recognised “in kind” contribution meets the goals of the Action Plan.

Any other process would not provide the required assurance unless it effectively replicated the working group process. There is a cost involved for jurisdictions meeting the requirement of this process, however the same cost must be met by the proponents of any funded project. There is an offsetting benefit from reducing cash contributions which is equivalent to the benefit from receipt of funding support.

It can be expected the costs for proponents in taking existing work through this process will be low since it should be easier to put together a description of work in progress or a proposal for work that already exists. The effort required from the Working Group and Secretariat in considering “in kind” proposals should be minimal because the nature and relevance of the work to be performed will already be defined by the proponents.

The benefit to Council is that they can have confidence that all work recognised for “in kind” contributions has been subject to the same disciplines of scrutiny by a Working Group and specification of a requirement by the Secretariat. This will ensure the relevance of work performed under the Action Plan.

Recommendation 2:

A proposal for recognition of work as an “in kind” contribution should be set out in the form of a Scoping Paper and Statement of Requirement. These will be endorsed by State Quality officials Forum and taken to the Executive for approval of the proposed work in the same way as applies for any other project.

Valuation of in kind contributions

A reliable method of valuation is desirable as each “in kind” contribution may represent a corresponding reduction in cash available for direct distribution by Council for Action Plan initiative projects. Also, the amounts allowed for such contributions will be included in reports by Council setting out the value of work under the Action Plan.

Council already has a process for valuing commissioned project work. Under that process proposals are received through open or selective tender. These proposals respond to a Statement of Requirement and would normally include a description of the inputs and costs

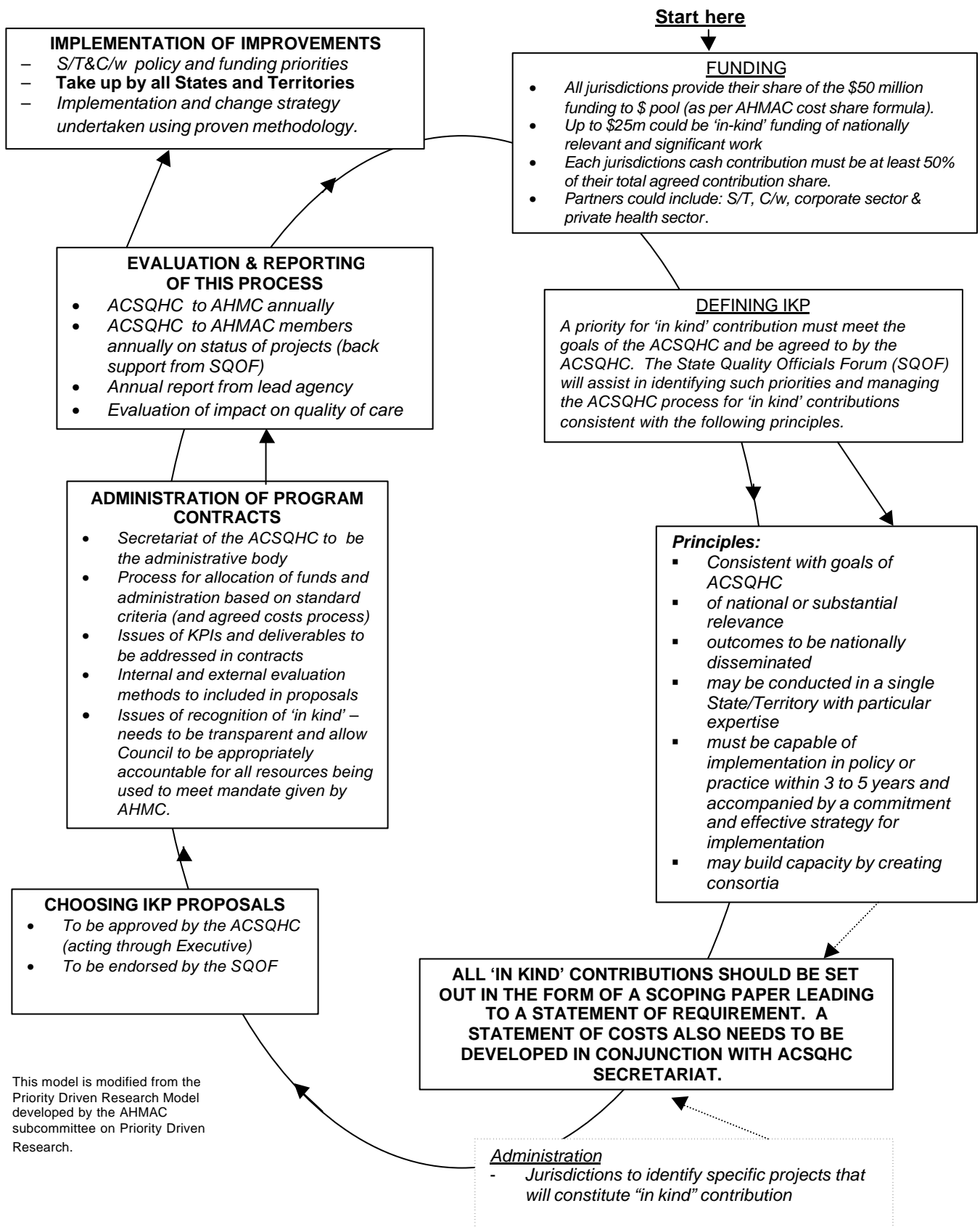
that are involved to meet the Requirements. The Secretariat is responsible for assessing and accepting these proposals, seeking advice from the Council Executive where appropriate.

A similar process could be employed to place a value on work that has been recognised as “in kind” contribution. A Statement of Requirement would already exist if Recommendation 2 is implemented. The proponent would submit a statement of costs similar to what would be required for any proposal for project funding. This would be considered by the Secretariat and accepted if it appears reasonable having regard to the Statement of requirements.

Recommendation 3:

Where a Statement of Requirement is approved for “in kind” contributions the proponent should submit a statement of costs for agreement by the Secretariat.

**Figure 1 - AUSTRALIAN COUNCIL FOR SAFETY AND QUALITY IN HEALTH CARE (ACSQHC)
RECOGNITION OF 'IN KIND' PRIORITIES (IKP) MODEL**



This model is modified from the Priority Driven Research Model developed by the AHMAC subcommittee on Priority Driven Research.