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Australian Divisions of General Practice

Structural Review of Divisions of General Practice in Western Sydney

DRAFT REPORT

SEPTEMBER 2005

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Executive Summary and Recommendations

(a) Background and Terms of Reference for the Review

The Western Sydney Division of General Practice was established in 1993 and was one of the largest Divisions in an urban region. It had approximately 510 members. Its boundaries encompassed five local government areas, covering 762 kilometres and an estimated population of 623,560 people.

In March 2005 a provisional liquidator was appointed after an extended dispute with the Department of Health and Ageing. The Division ceased trading on 13 April 2005 and all staff were terminated. The NSW Supreme Court placed the Division into liquidation on 21 April 2005.

ADGP secured funding from Health and Ageing to continue providing programs and services to the general practitioners and community of Western Sydney. This is being provided by ADGP via a registered business "Western Sydney General Practice Support".

Against this background we were required to:

- Identify alternative options available for a future Divisions structure to service the needs of Western Sydney;
- Test identified options against key criteria for structural efficiency as detailed in Section 5 of the Future Directions Toolkit;
- Develop a business case that explores the identified options as per Departmental guidelines; and
- Make recommendations regarding a preferred option for submission to DoHA.

(b) Principles Governing the Development of Options

In undertaking this project we have developed a number of principles against which to identify possible options for the future Divisions structure of Western Sydney. These principles take account of the Department of Health and Ageing's publication *Future Directions: Your Toolkit for Implementation*, Canberra 2005[1] and meeting the needs of general practitioners and the community of Western Sydney through the Divisions of General Practice Program.

The principles we have applied to the development of options are that Divisional structures for Western Sydney can:

- Achieve improved health outcomes for the Western Sydney community;
- Provide effective support to General Practice and general practitioners in Western Sydney;
- Strengthen General Practice to deliver effective primary health care in Western Sydney;

[1] The Future Directions document provides extensive information on the Government's policies for the Divisions of General Practice Program, including guidance on structural efficiency principles for Divisions.

- Strengthen the overall Divisions Network;
- Enable the Divisions Network in Western Sydney and surrounding areas to respond to population growth in Western Sydney;
- Enable efficient and effective program management and delivery through Divisions of General Practice in Western Sydney;
- Build effective linkages to the Sydney West Area Health Service, hospitals and other health services in Western Sydney;
- Facilitate effective governance of Divisions;
- Be implemented readily and practicably.

In looking to the future, there is a need to ask whether the structural arrangements that might be proposed for Western Sydney will assist to:

- Position the Divisions as the primary organisational platform through which the enhancement of primary health care services could occur[2]
- Provide the infrastructure for the delivery of quality health care to the community in an appropriate, pragmatic and economic way under the clinical leadership of GPs[3]

The issues relating to the future directions of the Divisions of General Practice Program and some background information on Western Sydney are dealt with in some detail in Chapter 2.

(c) Identification and Assessment of Options for Change

The report identifies and evaluates four possible alternatives for structural/administrative change:

- **Option 1 – Reconstitute the Western Sydney Division within the former boundaries – the "No Boundary Change Option"**
- **Option 2 – establish a new Division called Hawkesbury- Hills Division, comprising the current Hawkesbury Division and the Hills District from the former Western Sydney Division and establish a new Division, Sydney West, auspiced by WentWest, comprising the Auburn, Parramatta, Holroyd, Blacktown and Mt. Druitt districts of the former Western Sydney Division – the "Two Divisions Option"**
- **Option 3 – as for Option 2 but divide Blacktown between the two Divisions – the "Divide Blacktown Variation"**
- **Option 4 – as for Option 2 but transfer Auburn to Bankstown Division – the "Auburn Variation"**

It is important to note that there are many possible combinations of options. For ease of analysis we have focused on what we believe to be the most practicable and readily implementable options.

Each of the above options are outlined and assessed in terms of their advantages and disadvantages. This is detailed in Chapter 4.

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[2] A statement about the potential role of Divisions in Department of Health and Ageing *Future Directions: Your Toolkit for Implementation*, Canberra 2005, p 4:2.

[3] Derived from a comment by Dr. Rob Walters in Ibid, p 2:1.

In recommending structural efficiency options for implementation, we have taken account of the principles and criteria for assessing the merits of each option and also the need, in the interests of affected GPs and the community of Western Sydney, to act quickly to re-establish divisional arrangements in the former Western Sydney area.

Accordingly, we recommend that Option 2 - the "Two Divisions Option" be implemented immediately. This would entail:

- **The establishment of a new Division, which for the purposes of this report will be called Hawkesbury - Hills Division, comprising the Hills District of the former Western Sydney Division and the Hawkesbury Division; and**
- **the establishment of a new Division which for the purposes of this report will be called Sydney West Division, auspiced by WentWest, comprising the Auburn, Parramatta, Holroyd, Blacktown and Mt. Druitt districts of the former Western Sydney Division**

The position of the WentWest board was that they had a strong preference, if invited, to auspice a new Division covering the whole area serviced by the former Western Sydney of General Practice. However, the Board indicated that it would accept an invitation to negotiate with DoHA on arrangements for auspicing a Division in Western Sydney that excluded the Hills District. WentWest would accept that invitation on the clear understanding that any decision on boundary changes to the former Western Sydney Division was a matter for DoHA and not one that WentWest could determine.

WentWest is preferred to auspice the new Sydney West Division because:

- **WentWest has an excellent understanding of the area and its health needs, is GP focused and well connected with GPs, health service providers and the community in the region and has the respect of GPs in the area;**
- **WentWest, following negotiations with DoHA, could facilitate a speedy re-establishment of Divisional programs and services in this part of Western Sydney;**
- **It would significantly reduce the risk of the new Division being unable to engage GPs in this area, as WentWest has extensive linkages to, and an excellent reputation with, GPs in the area;**
- **WentWest is a well governed and well managed organisation with a strong governance-focused board and a management team with the capacity to enable the successful delivery of programs and services to general practice and general practitioners in this area;**
- **The Board structure of WentWest, comprising GPs from other Divisions in this area, would facilitate linkages to other Divisions covering the Western Sydney Area Health Service boundaries;**
- **WentWest would provide opportunities to achieve closer integration between the work of the Division in CPD and other regional training programs;**
- **It would be likely to strengthen the position of general practice in Western Sydney through the integration of Divisional and RTP functions and a significant capacity to speak with some authority on behalf of local GPs;**

- **It would makes use of existing WentWest capacity in relation to governance and management and would therefore be an efficient delivery mechanism;**
- **It would provide a potential new model for delivering Divisional and training programs to GPs; and**
- **It could enhance the opportunities for attracting State Government funding to the new Division.**

(d) Rationale for and Benefits of the Recommended Approach

We believe that the recommended approach:

- Provides a basis for the earliest possible re-establishment of Divisions' programs and services in Western Sydney responding to the immediate needs of general practitioners, community health and hospital service providers and the community of Western Sydney;
- Strengthens the overall Divisions network by making the Hawkesbury Division more viable in the short-term and able to capitalise on the significant growth which is planned for the area between Kellyville and Windsor over the next 30 years (an additional 160,000 people will live there over that period);
- Is cost effective in that it does not increase the number of Divisions requiring administrative funding and builds on existing administrative infrastructure in WentWest and the Hawkesbury Division (although there will be a need to provide appropriate transitional and infrastructure development funding – this would be negotiated with the Department);
- Establishes Divisions within relevant area health service and LGA boundaries, facilitates collection and analysis of statistical information and access to and integration with relevant hospital and community health services;
- Enhances the prospect of achieving GP engagement, with the responsibility for establishing the proposed arrangements being vested in GP organisations;
- Minimises disruptions to the boundaries of the former Western Sydney Division, whilst strengthening the overall Divisions Network.

(e) Overview of the Implementation Strategy

We believe that for the implementation of the new Divisions to be successful it should be underpinned by:

- **Open and transparent communication with GPs and staff and key external stakeholders throughout the implementation process, from agreement to establish the proposed new Divisions through to well beyond the commencement of the new organisation or arrangements;**
- **Clear and strong leadership of the process from the Boards and CEOs/EOs of the organisations involved;**
- **Early establishment of arrangements in each of the new Divisions to involve and engage GPs in the development and management of programs and services;**

- **Sound corporate governance arrangements in each of the new Divisions, covering the composition and operations of the Board, the capacity of the management teams and the systems and processes underpinning the management of the organisations; and**
- **Dedicated resources to establish the new Divisions, covering reasonable transition and establishment costs, including resources to actively engage GPs in the areas covered by the new Divisions.**

Chapter 5 of this report identifies the risks associated with implementing the recommended options identifies a number of strategies to mange those risks and achieve a successful re-establishment of the Divisions of General Practice program in Western Sydney. These strategies need to be embraced by:

- DoHA,
- ADGP, and
- Each of the new Divisions of General Practice.

1. Background, Terms of Reference and Approach to the Review

(a) Background to the Review

The Western Sydney Division of General Practice was established in 1993 and was one of the largest Divisions in an urban region. It had approximately 510 members. Its boundaries encompassed five local government areas, covering 762 kilometres and an estimated population of 623,560 people.

In March 2005 a provisional liquidator was appointed after an extended dispute with the Department of Health and Ageing. The Division ceased trading on 13 April 2005 and all staff were terminated. The NSW Supreme Court placed the Division into liquidation on 21 April 2005.

ADGP secured funding from Health and Ageing to continue providing programs and services to the general practitioners and community of Western Sydney. This is being provided by ADGP via a registered business "Western Sydney General Practice Support".

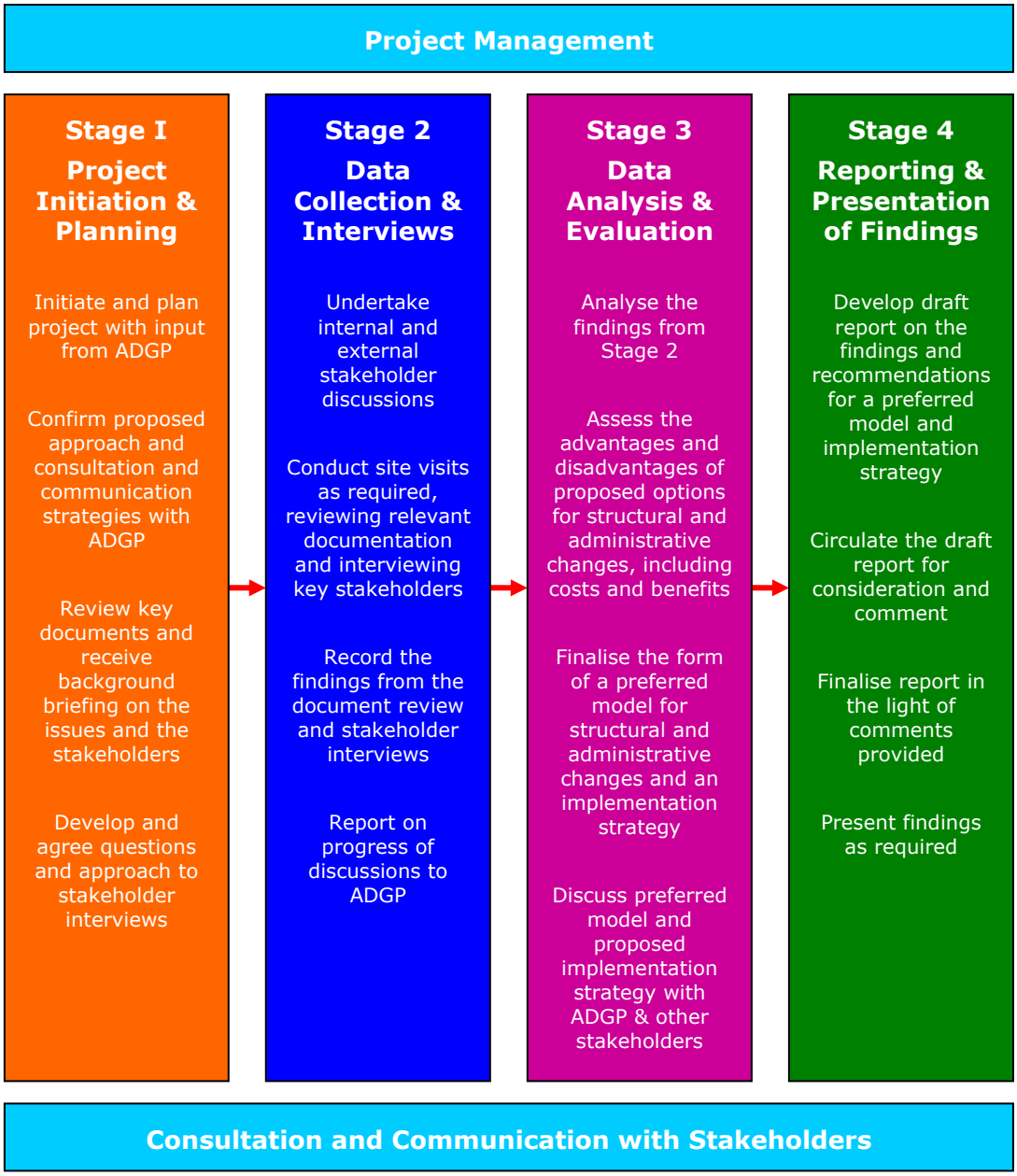
(b) Terms of Reference

Against this background WalterTurnbull was engaged to:

- Identify alternative options available for a future Divisions structure to service the needs of Western Sydney;
- Test identified options against key criteria for structural efficiency as detailed in Section 5 of the Future Directions Toolkit;
- Develop a business case that explores the identified options as per Departmental guidelines; and
- Make recommendations regarding a preferred option for submission to DoHA.

(c) Approach to the Review

Our overall approach to the review is summarised in the diagram below:



In undertaking this project we have:

- Reviewed key documentation relating to Western Sydney;
- Undertaken discussions with a large number of stakeholders. They are detailed in **Appendix B**.
- Analysed a range of data and submissions made to us during the review;
- Provided a draft report to ADGP; and
- Finalised the report following discussions with ADGP.

2. Background Information on Western Sydney and the Future Directions of the Divisions of General Practice Program

(a) A Profile of Western Sydney

The area covered by the former Western Sydney Division is heavily populated and is targeted for future growth over the next 20-30 years. Some of the key characteristics of this area are as follows[4]:

- **Population:** 583,486 (2001 Census). Western Sydney is one of the major growth areas in NSW. For example, over the next 30 years it is planned that there will be an additional 162,800 people living in the North-west Growth Centre between Kellyville and Windsor. Other areas within the Division's former boundaries are also likely to grow over this period as a result of further urban development and urban consolidation.
- **Area:** 762 square kilometres
- **Local Government Areas:** Auburn, Blacktown, Parramatta, Holroyd and Baulkham Hills
- **Socio-economics:** Auburn LGA ranks in the lowest 25% of LGAs nationally. A number of suburbs in Blacktown are ranked lower still. XXX
- **Cultural Diversity:** It is a culturally diverse area, with 233,601 or 34.5% of residents born overseas. Auburn LGA has the highest proportion (56.7%) and Baukham Hills the lowest (28.9%). The NSW average is 29.4%. In the last 5 years, the NESB population grew by 44% against a total population increase of 8.9%. The number of people speaking languages other than English at home increased by 52%.
- **Indigenous Community:** There were 8,756 indigenous people (1.3%) of which 58% are aged less than 25 and 69.6% live in Blacktown.
- **Health status:** The significant population growth forecast for the area is seen as a key public health challenge due to the significant negative impacts from the nature and scale of the changes required for large scale urban consolidation, including "loss of amenities, impacts on physical and mental health, and pressures on urban infrastructure."[5]
- **Health Services:** The Sydney West Area Health Service encompasses this area. It provides a range of population, hospital and community health services. Public hospitals in the area include Westmead, Blacktown, Mt. Druitt, Auburn and Cumberland. There are also a number of affiliated and private hospitals, including St Joseph's, Lottie

[4] Key sources for this information include various Australian Bureau of Statistics publications, the ADGP website (Divisions Directory), NSW Government, Planning Report for the Northwest Growth Centre, Western Sydney Area Health Service 2003-2004 Annual Report

[5] Western Sydney Area Health Service 2003-2004 Annual Report, p 3.

Stewart, Health Centres are located at Auburn, Blacktown, Doonside, Baukham Hills, Merrylands, Mt Druitt and Parramatta

- **General Practice:** There were 710 GPs and 280 member practices in the former Western Sydney Division.
- **Neighbouring Divisions:** There are six Divisions adjacent to the area covered by the former Western Sydney Division – Bankstown (166 GPs), Central Sydney (565 GPs), Fairfield (216 GPs), Hawkesbury (83 GPs), Hornsby Ku-ring-gai Ryde (303 GPs) and Nepean Divisions (162 GPs).

(b) The Reform of the Divisions of General Practice Program by the Commonwealth Government

The Divisions of General Practice Program (DGPP)

The development of the network of Divisions of General Practice (DGP) is a major Commonwealth health initiative, which commenced in 1991 and followed the development of several strategy documents on general practice and discussions between the then Department of Health and Community Services, the Australian Medical Association and the Royal Australian College of General Practitioners.

The Department of Health and Ageing has provided the following perspective on the role and functions of the network of DGP[6]:

> *"The purpose of the DGP network is to assist general practice to provide services to the community within the context of a broader primary health care system. The network provides a national infrastructure for integration of various elements of the primary care system. As a local resource, Divisions provide leadership and generate partnerships that link general practice with the rest of the health system."*

There are currently 120 Divisions of General Practice across Australia with variability in terms of their geographic coverage, location, population, numbers of general practices and other practitioners served, and organisational size. Divisions are funded by the Australian Government for many different programs, such as allied health services in rural areas, support for GPs, and immunisation, for example.

Divisions are supported by State-Based Organisations (SBOs) at the State level and by the Australian Divisions of General Practice (ADGP) at the national level.

The Department now provides the Divisions of General Practice Program (DGPP) in excess of $132 million annually. This funding seeks to assist general practice and primary care to support the health of the community through activities that practices themselves find difficult to undertake.

The Review of the Role of Divisions of General Practice

The Review of the Role of the Divisions of General Practice was completed in July 2003. The review identified a number of areas for action and made 32

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6 Department of Health and Ageing *Future Directions: Your Toolkit for Implementation*, Canberra 2005, page2:1

recommendations concerning the roles, structures and funding of the Divisions and primary health care generally.

In April 2004, the Government released its response to the review in *Divisions of General Practice: Future Directions.* The Government response indicated:

- The Government's priorities for primary care;
- Identified Government responsibilities to the Divisions;
- Greater certainty through four year funding contracts;
- The Government's views on the roles and expectations of the network;
- The Government intended introducing a quality and performance system that includes improved governance and accountability arrangements and rewarding high performance with opportunities for increased flexibility in reporting and planning responsibilities and high performance funding;
- Areas in which red tape could be reduced; and
- Support for Divisions to consider amalgamation and realignment of boundaries where appropriate.

The Government is implementing changes to the DGPP, based on its response to the Review, in close consultation and partnership with the Review Implementation Committee (RIC), its working groups and the ADGP.

The Perspective of the Department of Health and Ageing on the Role of the Divisions Network in Australia's Primary Care System[7]

The **Government's priorities** are to strengthen primary care by:

- Making care more accessible;
- Focusing on prevention and early intervention;
- Encouraging better management of chronic disease;
- Supporting integration and multidisciplinary care;
- Building the evidence base for effective, quality primary care;
- Recognising and respecting the variety of practice styles; and
- Using technology to support best practice.

The Department sees the future of primary care and the future of Divisions as being closely linked:

"The way primary care develops will set the agenda for the Divisions network.

The future performance of the Divisions network will be critical if it is to play a key role in building an integrated, comprehensive and effective system of primary care that has the capacity to meet the needs of all Australians."

The **Government's vision for the Divisions network** is that it will:

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7 Ibid, p2:2, et seq.

- **Operate as a strong effective network** – rather than as a loose collection of individual organisations, with a sharper focus on leadership across the entire network so that all levels of the network can move forward together to address future challenges.
- **Focus on primary health care that supports and actively integrates general practitioners, practice nurses and other primary health care providers** – general practice cannot provide effective primary care isolated from related health care providers. Divisions are ideally placed to bring together different professional paradigms and to build structures and processes that can respond flexibly and effectively to the changing needs of their communities.
- **Be responsive to the changing needs of communities**
- **Have reliability, expertise and placement in the system that makes the most effective link to primary health care providers and the preferred providers for both the Australian Government, state and territory governments** – Divisions will be better placed to become providers of choice through their capacity to systematically link general practice with the rest of the health system and demonstrate that they can effectively deliver on outcomes and perform as well governed, well managed organisations.
- **Have strong governance arrangements and a high level of accountability** – a new National Quality and Performance System is being implemented to facilitate clear accountability and reporting requirements for Divisions. If Divisions are to take on more programs to address community needs, it will become even more important that governance structures and vision reflect community needs and interests.
- **Have structural and administrative efficiency and streamlined information systems** – it is important that Divisions have structural arrangements that enable them to operate effectively and efficiently. Divisions are being encouraged to review their capacity and preparedness to operate effectively in the new environment, including the need for structural changes so that they can fulfil the roles and expectations implied by the Government's response to the review.
- **Utilise close collaboration and good consultative mechanisms to engage with other network members, health organisations, services, other health professionals and the community, to meet the needs of their community and their patients** – improved partnerships will strengthen the system and function of the Divisions network, SBOs and the ADGP to strive towards a common goal of improving primary health care and supporting primary health care service providers, recognising the strengths of one another and sharing knowledge. Divisions need linkages with regional health authorities, hospitals and other related organisations to ensure that duplication and gaps are minimised and coordinated care is provided to the community.
- **Work in partnership with government to achieve outcomes for general practice and the community**

The Government's expectations of Divisions and SBOs in return for public funding are:

- **Divisions** – the focus of Divisions should be to assist general practice to provide services to the community in a primary care system. They are funded to achieve improved health outcomes in the key priority areas identified by Government.

- **SBOs** – provide leadership and advocacy for Divisions at the state/territory level. They have primary responsibility within the network for maintaining good relationships and communications with state/territory governments and Divisions in their state/territory. SBOs can promote best practice models and knowledge sharing at the state level. SBOs can ensure that state/territory governments are aware of the opportunities that the Divisions network provides for the roll-out of primary care initiatives in the state/territory. SBOs also have a pivotal role in strengthening Divisions in their state/territory by supporting Divisions to build capacity, translate policy into practice, ensure programs are effective and combine national and state initiatives and programs. SBOs need to liaise effectively with other SBOs to ensure the strength of the network.

The National Quality and Performance System (NQPS)

The Government has developed the NQPS to drive continuous quality improvement across the entire Divisions network. Through the NQPS the government will *"work with the Divisions network and build on its existing strengths and achievements in order to advance primary health care in Australia*." The NQPS "*establishes a process to reward high performance, promote best practice, support under performance and sharpen the focus of the network in order to ensure all communities can have similar high expectations of Divisions network members*."

The key elements of the NQPS are:

- **National performance indicators** – these will establish the relationship between what Divisions do and broader health outcomes, particularly in relation to the Government's priority areas. They will also focus on the governance performance of Divisions.
- **A quality system leading to accreditation** – Divisions will need to be accredited by June 2008. Accreditation is designed to ensure that Divisions have appropriate organisational arrangements in place and the capacity within their organisations to effectively deliver services and appropriately manage Australian Government funding. The Department has endorsed three accreditation models. Accredited Divisions will not have to report on those governance performance indicators incorporated in the accreditation model they have adopted and they may be able earn increased flexibility in relation to operational processes related to core funding.
- **A planning and reporting process** – reporting will be aligned with the national performance indicators. The focus of the reporting framework is on measuring outcomes, assessing value for money and rewarding and supporting performance.
- **Recognising and improving performance** – the NQPS will generate information to provide valuable lessons and feedback for each organisation's planning, research and policy and enable the department to assess an organisation's performance. Learning reviews may also be introduced as part of the NQPS framework. The NQPS will be used to determine eligibility for other benefits such as *earned autonomy* (reduced planning, reporting and monitoring requirements) and access to the *performance and development funding pool* (a fund available to develop, evaluate, promote and embed evidence-based excellence in the provision of primary health care).

Improving Structural Efficiency

The review stated that the two key issues relating to the size and boundary alignment of Divisions are:

- The need to ensure that the size and boundary of each Division are not obstacles to adopting the directions recommended by the review; and
- The need to ensure that the size and boundary alignment of each Division optimise its effectiveness and efficiency as determined through the proposed national performance system.

The Government's response to the review supported the view that each Division's size needed to be based on whether it can effectively and efficiently operate. The Government's response also shows the need to create a robust Divisions Network, not just individually successful Divisions – the network can only function effectively if all members are contributing fully.

The Department has made the following summary comments about structural efficiency[8]:

1. "The services delivered to general practice by divisions must reach all general practitioners in all regions and therefore must be delivered by all divisions.
2. There are valid doubts about the effectiveness and capacity of low funded divisions and some work suggests that there is a funding threshold below which a division will struggle to deliver effective programs. The outcomes expected under new contracts and the need for divisions to become accredited may accentuate the difficulties of very small divisions.
3. The increasing focus of divisions on population health requires them to have boundaries that match as far as practicable other statistical areas for the collection and aggregation of data. The accuracy of this data is also important for measuring divisions' performance.
4. Divisions' boundaries should recognise natural flows of populations, especially if divisions are to become more involved in the delivery of direct services to the community.
5. There are some postcodes that are "shared" between divisions. These complicate the collection of data and, as they are connected to funding might hinder good relations between divisions.
6. Changes to boundaries and other fundamental components of division functioning must be made by relevant national criteria.
7. Changes to boundaries should not be made in isolation but must consider the possibility of making beneficial adjustments to neighbouring divisions."

The Department has also made the following observations as to the possible criteria for changes:

> *"The driver for any boundary changes must be the need to improve the Program's outcomes by adjusting boundaries to meet objective criteria and the overall aim of any changes must be to improve the capacity of the divisions concerned. The overarching criteria is therefore whether the changes build the capacity of the divisions to deliver effectively a range of services to general*

[8] Ibid, p5:2

> *practices in their region. The barriers to full effectiveness mentioned – the size of the population served, the number of GPs, the level of resources available and the proportion of funding directed to overheads at the expense of program delivery will be important considerations.*
>
> *"Changes must also strengthen and improve the performance of the whole Divisions Network for the ultimate benefit of the health of the community, rather than focus only on the advantages or benefits for individual divisions."*[9]

The department has stressed:*"The importance of working with other health services and the need to collect comparable health data suggest that the building blocks for divisional boundaries should be similar to those for other health services. In most states the building blocks used are Local Government Areas (LGAs) or the Statistical Local Areas (SLAs) of the Australian Bureau of Statistics. SLAs can be aggregated to form LGAs. Postcode areas cannot be as easily aggregated to LGAs....SLAs will be the most appropriate building block for most divisions."*[10]

The Department has also outlined a number of factors which should influence the aggregation of divisions. These are as follows:[11]

1. **State Health and Community Services Department region/area boundaries:** this is the basis for all state government health service planning, development and delivery. They are also important for the collection of statistical data on health, demography, etc
2. **Local Government boundaries:** in some states local government provides HACC and many other human services. They are seen as important for community consultation and providing local knowledge and information. Local government is the basis for the collection of statistical data on health and demography, etc.
3. **Important health service boundaries (e.g., major hospital, aged care, mental health, drug and alcohol, etc.) and existing patient flow:** these are important for ensuring that a division has a meaningful role in health service planning and delivery, coordination of services and continuity of care.
4. **A substantial town as a resource base each for rural division:**
5. **Communities of interest:** populations with special needs, such as ethnic and indigenous communities and people on low incomes do not necessarily match any formal boundaries. Adjustments to avoid splitting such communities between divisions should be considered.
6. **Predicted future growth patterns:** population growth may alter the demand for services from divisions. Predicted growth and its effect on population-based funding for divisions must be a factor in any proposed boundary changes.
7. **Travel distances and times**
8. **Strengthening the Divisions Network:** population can be more evenly distributed in boundary changes, resulting in a more even distribution of

[9] Ibid, p 5:4.

[10] Ibid, p 5:5

[11] Ibid pps 5:5 – 5:6

funding. In assessing possible boundary changes, divisions need to consider the possible "knock-on effect" on neighbouring divisions.

(c) The Implications of the Future Directions of the DGPP for this Review

With the major changes to the DGPP being implemented by the Commonwealth Government, any organisation or organisations which replace the former Western Sydney Division will need to ensure that they:

- are positioned within the primary health care system to advocate the policy and program needs of general practice and the primary care health system with authority and respect;
- can be seen by governments and other players as the key vehicle for integrating the various elements of the primary health care system in Western Sydney and strengthening and improving it;
- can forge effective partnerships with governments and other key players in the primary health care system;
- can demonstrate that they can effectively deliver on outcomes and perform as well governed and managed organisations;
- can meet the requirements for strengthened governance and program performance and meet the revised accountability and reporting requirements through the NQPS, including being accredited by June 2008;
- can achieve improved health outcomes in the key priority areas identified by the Commonwealth Government;
- have structural arrangements which operate effectively and efficiently for the identification of needs and the delivery of programs and services;
- can strengthen the overall Divisions network;
- can respond to predicted growth patterns within the region and surrounding areas;
- have good consultative mechanisms with other network members, health organisations, services, other health professionals and the community; and
- can provide relevant support and services to their members and enable them to meet the emerging challenges of general practice with confidence.

In looking to the future, there is a need to ask whether the current structural arrangements in Western Sydney will:

- Position the Divisions as the primary organisational platform through which the enhancement of primary health care services could occur[12]
- Provide the infrastructure for the delivery of quality health care to the community in an appropriate, pragmatic and economic way under the clinical leadership of GPs[13]

[12] A statement about the potential role of Divisions in Ibid, p 4:2.

[13] Derived from a comment by Dr. Rob Walters in Ibid, p 2:1.

3. Outcome of Consultations with Stakeholders

(a) The Consultation Process

During the course of this project we undertook consultations with an extensive range of stakeholders. They are detailed in **Appendix** B.

We provided a briefing paper to stakeholders consulted, outlining the background to the review and the issues we wished to speak to them about. A copy of this paper is at **Appendix A.**

We also received and considered written email and faxed comments.

(b) Overview of the Key Issues to Emerge from the Stakeholder Consultations

The key issues raised during consultations are summarised below:

Views of GPs in Western Sydney

- There is a need to reinstate the services provided by the former Division as soon as practicable;
- Broadly, the boundaries of the former Division were seen as appropriate;
- Concerns were expressed that the Commonwealth was too restrictive in its funding arrangements and that relevant needs of GPs were not able to be addressed;
- Some felt that alternative models for providing integrated health care currently under development would supersede current Divisional arrangements;
- While there was general surprise, disappointment, dismay and, with some, anger concerning the closure of the former Division both in terms of programs and staff impacts, there was appreciation for and a willingness to contribute to the consultation process associated with identifying future options;
- Some were suspicious of the Commonwealth and expressed reluctance to enter into agreements with it in the future without guarantees that events similar to that surrounding the liquidation would not occur in the future;

Views of Neighbouring Divisions

- Prior to the closure of Western Sydney Division, Hawkesbury, as a small Division, had recognised the need to grow in order to be able to meet required performance standards. It proposed incorporation of some elements of the former Division including the Hills and part of the Blacktown local government areas. Proposed areas, like Hawkesbury, fall within the Sydney West Area Health Service;
- Hornsby-Kuringai-Ryde considered that their Division was already large and that its programs would suffer if additional Division area responsibilities were added. Hornsby operates within the Northern Area Health Service and saw major difficulties in a Division operating

across Area Health Service boundaries. It noted that there could be some value in minor boundary changes to align better with Area Health Service boundaries. Hornsby was willing to provide paid consultancy support in establishing new Division structures, drawing on its experience in integrating Ryde, and its better practice Division structure and programming;

- Fairfield recognised that it was in the process of re-establishing its structures and programs and that it would be preferable not to incorporate additional Divisional area responsibilities at this time. Additionally, Fairfield substantially falls within the South West Area Health Service;
- Bankstown saw value in incorporating the Auburn local government area of the former Division to enable improved communications with Auburn hospital. It recognised that this would mean crossing Area Health Service boundaries but believed that this was manageable. It noted that there was some discussion of a possible future merger with Canterbury;
- Nepean noted that a possible merger with Hawkesbury had previously been raised. The Division was unwilling to consider incorporation of parts of the former Division in an environment of possible lack of support or opposition from affected GPs in the former Division; and
- Central Sydney recognised that it was already very large and would not be able to incorporate parts of the former Division without risk to current programs and operations. Sydney Central falls with the Sydney South West Area Health Service. Minor boundary changes were seen as possible to better align with Area Health Service boundaries.
- Blue Mountains Division considered that the community it covered was very different from the communities in the adjacent Divisions and indicated that it was not interested in amalgamations with those Divisions.

Other stakeholders

- There was general recognition of the need to create a new Division or Divisions to support GPs and General Practice in the area covered by the former Division;
- The need to improve the viability of adjacent small Divisions and take account of predicted growth in Western Sydney as part of the restructuring was acknowledged;
- GP support for whatever future arrangements are put in place was seen as essential to the future success of the new Division(s);
- The principle of ensuring Divisional boundaries align with or fall within Area Health Service boundaries was widely accepted and supported;
- The position of the WentWest board was that they had a strong preference, if invited, to auspice a new Division covering the whole area serviced by the former Western Sydney of General Practice. However, the Board indicated that it would accept an invitation to negotiate with DoHA on arrangements for auspicing a Division in Western Sydney that excluded the Hills District. WentWest would accept that invitation on the clear understanding that any decision on

boundary changes to the former Western Sydney Division was a matter for DoHA and not one that WentWest could determine;

- The WentWest auspicing option was seen as providing a future alternative model for the delivery of Divisions of General Practice Programs and one that had considerable potential value and merit.

4. Possible Options for the Future Structure of the Divisions in Western Sydney

(a) Principles for the Development of Options

In undertaking this project we have developed a number of principles against which to identify possible options for the future Divisions structure of Western Sydney. These principles take account of the Department of Health and Ageing's publication *Future Directions: Your Toolkit for Implementation*, Canberra 2005[14] and meeting the needs of general practitioners and the community of Western Sydney through the Divisions of General Practice Program.

The principles we have applied to the development of options are that Divisional structures for Western Sydney can:

- Achieve improved health outcomes for the Western Sydney community;
- Provide effective support to General Practice and general practitioners in Western Sydney;
- Strengthen General Practice to deliver effective primary health care in Western Sydney;
- Strengthen the overall Divisions Network;
- Enable the Divisions Network in Western Sydney and surrounding areas to respond to population growth in Western Sydney;
- Enable efficient and effective program management and delivery through Divisions of General Practice in Western Sydney;
- Build effective linkages to the Sydney West Area Health Service, hospitals and other health services in Western Sydney;
- Facilitate effective governance of Divisions;
- Be implemented readily and practicably.

(b) Overview of Options

There is a large number of potential options which could be considered for Western Sydney. The challenge for this project has been to reduce the number of potential options for structural change down to those which are realistic, viable and practicable. We have applied the principles for developing options outlined above to do this.

As a result of applying these principles to the many possible options that could apply to Western Sydney, we have not considered boundary changes to existing Divisions and the former Western Sydney Division which entail:

- **Tidy-ups to improve alignment with area health service boundaries**

[14] The Future Directions document provides extensive information on the Government's policies for the Divisions of General Practice Program, including guidance on structural efficiency principles for Divisions.

With respect to some of the misalignment between area health service and Divisional boundaries, there may be good local reasons for not changing the current boundaries – in terms of patient flows or the views of local general practitioners. We have not pursued these options because we considered that there was limited value relative to the likely considerable effort required to achieve them. Any such changes should be negotiated between the affected Divisions outside of the context of this review.

- **Boundary changes where the neighbouring Divisions are reluctant or unwilling to consider amalgamations**

  Examples of this type of possible change included Nepean Division becoming responsible for the Blacktown and Mt. Druitt areas, the Hornsby-Kuringai-Ryde Division becoming responsible for all or part of the Hills District and Fairfield Division becoming responsible for Holroyd.

  These sorts of options are unlikely to be readily achievable in the short-term. Moreover, some of them would involve the creation of Divisions which would straddle area health service boundaries.

Against that background, we believe that we should focus on four alternatives as follows:

- **Option 1 – Reconstitute the Western Sydney Division within the former boundaries – the "No Boundary Change Option"**
- **Option 2 – establish a new Division called Hawkesbury- Hills Division, comprising the current Hawkesbury Division and the Hills District from the former Western Sydney Division and establish a new Division, Sydney West, auspiced by WentWest, comprising the Auburn, Parramatta, Holroyd, Blacktown and Mt. Druitt districts of the former Western Sydney Division – the "Two Divisions Option"**
- **Option 3 – as for Option 2 but divide Blacktown between the two Divisions – the "Divide Blacktown Variation"**
- **Option 4 – as for Option 2 but transfer Auburn to Bankstown Division – the "Auburn Variation"**

It is important to note that there are many possible combinations of options. For ease of analysis we have focused on what we believe to be the most practicable and readily implementable options. This enables a clearer focus on the relative merits of the individual variations.

We have set out below a description of each of the options and an assessment of the:

- The Postcodes to be covered by each of the options
- The population of the proposed area of each option
- The area covered by each option
- The likely number of GPs in each of the options
- Benefits of the option – relative to the principles
- Disadvantages of the option – relative to the principles
- Risks associated with each option

(c) Common Elements of and Assumptions Relating to All Options

In the description of each of the options below we would propose that each of the Divisions involved would have the following features:

- Where a current Division is given responsibility for an area covered by the former Western Sydney Division, that Division would assume responsibility for absorbing the area of Western Sydney associated with the option;
- Governance arrangements for each option would follow the better practice governance principles outlined in **Appendix C**.
- **Under Options 2 – 4 the new Sydney West Division covering the relevant parts of Auburn, Parramatta, Holroyd, Blacktown and Mt. Druitt, as appropriate, would be auspiced by a third party for either the short-term or on a permanent basis. We consider that WentWest, the regional training provider for the area covered by SWAHS, should be the auspicing body for this option.**
- **WentWest , is preferred because:**
    - **WentWest has an excellent understanding of the area and its health needs, is GP focused and well connected with GPs, health service providers and the community in the region and has the respect of GPs in the area;**
    - **WentWest, following negotiations with DoHA, could facilitate a speedy re-establishment of Divisional programs and services in this part of Western Sydney;**
    - **It would significantly reduce the risk of the new Division being unable to engage GPs in this area, as WentWest has extensive linkages to, and an excellent reputation with, GPs in the area;**
    - **WentWest is a well governed and well managed organisation with a strong governance-focused board and a management team with the capacity to enable the successful delivery of programs and services to general practice and general practitioners in this area;**
    - **The Board structure of WentWest, comprising GPs from other Divisions in this area, would facilitate linkages to other Divisions covering the Western Sydney Area Health Service boundaries;**
    - **WentWest would provide opportunities to achieve closer integration between the work of the Division in CPD and other regional training programs;**
    - **It would be likely to strengthen the position of general practice in Western Sydney through the integration of Divisional and RTP functions and a significant capacity to speak with some authority on behalf of local GPs;**
    - **It would makes use of existing WentWest capacity in relation to governance and management and would therefore be an efficient delivery mechanism;**
    - **It would provide a potential new model for delivering Divisional and training programs to GPs; and**

- **It could enhance the opportunities for attracting State Government funding to the new Division.**

- All options assume that the new Division is a company limited by guarantee. This is favoured over an incorporated association because the corporate structure of a company limited by guarantee will provide a more robust model moving forward and provide the necessary drivers for ensuring a high level of corporate governance is put in place with appropriately skilled and experienced directors;
- Under options 2, 3 and 4, we envisage that the Board and management of the Hawkesbury Division would assume immediate responsibility for incorporating the new areas into the expanded Division. In time, its Board and staffing would be expanded to accommodate the new areas and a number of other consequent changes would be implemented, e.g., relocating the offices to a more central location;
- The financial impacts of each option in terms of ongoing programs and services to GPs, relative to the operations of the former Western Sydney Division, would be budget neutral.
- There would be a financial impact related to establishment and transitional costs associated with the establishment of the new Divisions. This would be negotiated between each of the new Divisions and the Department of Health and Ageing.

(d) Option 1 – The No Boundary Change Option

Overview of Option

This option would entail the establishment of a new Division with the same postcodes and boundaries as the former Western Sydney Division of General Practice.

Assessment of Option

Issue	Assessment
Postcodes Covered by this Option	2115, 2116, 2117, 2123, 2141, 2142, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2760, 2761, 2763, 2766, 2767, 2770.
Population of the Division	583,486 (2001 Census)
Areas Covered	The WSDGP's boundaries encompass five local government areas (LGAs): Blacktown, Parramatta, Auburn, Holroyd and Baulkham Hills, and cover 762 square kilometres.
Likely Number of GPs in this option	Based on the information available from the former WSDGP there would be 710 GPs and 280 practices
Benefits of the Option	▪ Aligns with the boundaries of the SWAHS which would facilitate access to and integration with relevant hospital and community health services ▪ Aligns with the relevant local government areas ▪ Statistical collection and analysis of data would be

Issue	Assessment
	facilitated ▪ Would be supported by a large number of GPs in the area ▪ There would be no disruption to the boundaries of the former Western Sydney Division
Disadvantages of the Option	▪ It would not be seen to strengthen the Divisions network overall as it would not address current problems with smaller neighbouring Divisions, e.g., Hawkesbury ▪ It would still be a large Division which would require considerable governance and management skills to operate effectively ▪ GP engagement could be difficult because of the size of the Division ▪ The option does not take adequate account of the potential impacts of projected population growth, particularly in the North-west Growth Centre corridor of 162,000 and how best to respond to it
Staffing Implications	▪ Staff would need to be recruited ▪ The Board would need to determine terms and conditions of employment
Contractual Implications	▪ The Division would need to negotiate funding agreements with DoHA
Governance Implications	▪ Would require the establishment of a new corporate entity and the appointment of a Board
Risks Associated with this Option	▪ The new Division proves difficult to govern because of its large size ▪ GPs fail to engage with the new Division because of dissatisfaction with the liquidation of the former Western Sydney Division ▪ Some neighbouring Divisions (especially Hawkesbury) could become non-viable

(e) Option 2 – The Two Divisions Option

Overview of Option

This option would entail establishment of a:

- New Division, Hawkesbury – Hills, comprising the current Hawkesbury Division and the Hills District of the former Western Sydney Division; and
- New Division, Sydney West, comprising the Auburn, Parramatta, Holroyd, Blacktown and Mt. Druitt areas of the former Western Sydney Division, under the auspices of WentWest.

Assessment of Option – The new Hawkesbury – Hills Division

Issue	Assessment
Postcodes Covered by this Option	▪ Hawkesbury currently has the following postcodes: 2753, 2754, 2755, 2756, 2757, 2758, 2762, 2764, 2765, 2768, 2775 ▪ The following postcodes would be added to Hawkesbury:2153, 2154, 2155, 2156, 2763
Population of the Division	▪ Currently, 97,681 (2001 Census) ▪ It is estimated that an additional 109,215 people would be added ▪ The new boundaries would also encompass the North-west Growth Centre which is planned to increase by 60,000 households and 162,000 people over the next 30 years
Areas covered	▪ The Divisional boundaries currently go from Parklea in Sydney's North-west to Bilpin which is the Northern side of the Blue Mountains and from Wiseman's Ferry in the North to Londonderry, west of Sydney ▪ The following areas would be added: Baulkham Hills, Castle Hill, Kellyville, Rouse Hill, Kenthurst and Annangrove
Likely Number of GPs in this option	▪ Currently there are 83 GPs ▪ The proposal would add a further 90 GPs
Benefits of the Option	▪ Strengthens the overall Divisions network by making the Hawkesbury Division more viable in the short-term and being able to benefit from the significant growth which is planned for the area between Kellyville and Windsor over the next 30 years ▪ Aligns with the boundaries of the SWAHS which would facilitate access to and integration with hospital and community health services ▪ Aligns with the relevant local government areas ▪ Statistical collection and analysis of data would be facilitated ▪ Enhances the prospect of achieving GP engagement, with the responsibility for establishing the proposed arrangements being vested in a GP organisation ▪ Minimises disruptions to the boundaries of the former Western Sydney Division, whilst strengthening the overall Divisions Network
Disadvantages of the Option	▪ The extent of health services and patient flow linkages between Hawkesbury and the Hills is unclear

Issue	Assessment
Staffing Implications	▪ Additional staff would be required to undertake the additional responsibilities
Contractual Implications	▪ Hawkesbury Division would need to renegotiate its OBF and program funding agreements with DoHA to take account of its responsibilities in relation to the newly incorporated areas ▪ The negotiations with DoHA would need to take account of the costs of establishing the new Division, engaging GPs, additional office space and equipment, etc
Governance Implications	▪ Hawkesbury would need to restructure its board to ensure that GPs from the new areas were involved with the governance of the new Division ▪ Hawkesbury would need to recruit directors with relevant skills and connections to the community and other health providers ▪ There would need to be some support provided to Hawkesbury to establish governance and management procedures, systems and processes
Risks Associated with this Option	▪ Hawkesbury Division does not have the capacity to manage the larger area and number of GPs covered by the proposal ▪ The proposal does not gain the support of the GPs in either the current Hawkesbury area and/or the areas to be added to the Division

Assessment of Option – The new Sydney West Division, comprising Auburn-Parramatta-Holroyd-Blacktown-Mt Druitt

Issue	Assessment
Postcodes Covered by this Option	▪ 2115, 2116, 2117, 2123, 2141, 2142, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2760, 2761, 2763, 2766, 2767, 2770
Population of the Division	▪ 474,271
Areas covered	▪ The proposed boundaries encompass four local government areas (LGAs): Blacktown, Parramatta, Auburn and Holroyd
Likely Number of GPs in this option	▪ Based on the information available from the former WSDGP there would be 620 GPs

Issue	Assessment
Benefits of the Option	▪ Aligns with the boundaries of the SWAHS which would facilitate access to and integration with hospital and community health services ▪ Aligns with the relevant local government areas ▪ Statistical collection and analysis of data would be facilitated ▪ Strengthens the overall Divisions network by making the Hawkesbury Division more viable in the short-term and being able to benefit from the significant growth which is planned for the area between Kellyville and Windsor over the next 30 years ▪ With the role to be played by WentWest, there would be opportunities to achieve closer integration between the work of the Division in CPD and other regional training programs ▪ WentWest has an excellent understanding of the area and its health needs, is GP focused and well connected with GPs, health providers and the community in the region, is well governed and has the respect of GPs in the area ▪ Enhances the prospect of achieving GP engagement, with the responsibility for establishing the proposed arrangements being vested in a GP organisation ▪ Minimises disruptions to the boundaries of the former Western Sydney Division, whilst strengthening the overall Divisions Network
Disadvantages of the Option	▪ It would continue be a large Division which would require considerable governance and management skills to operate effectively
Staffing Implications	▪ Staff would need to be recruited ▪ The Board would need to determine terms and conditions of employment
Contractual Implications	▪ The Division would need to negotiate funding agreements with DoHA ▪ The negotiations with DoHA would need to take account of the costs of establishing the new Division, engaging GPs, additional office space and equipment, etc

Issue	Assessment
Governance Implications	▪ Would be auspiced by WentWest initially, which has a strong governance framework ▪ Would need to recruit GPs and others to oversight the development and management of the Divisions Program and related services to GPs ▪ There may be need to restructure the WentWest Board to take account of the additional responsibilities
Risks Associated with this Option	▪ GPs fail to engage with the new Division because of dissatisfaction with the liquidation of the former Western Sydney Division

(f) Option 3 – The Divide Blacktown Variation

Overview of Option

Under this option, the new Hawkesbury – Hills Division would, in addition to the postcodes mentioned in option 2 above, also become responsible for Toongabbie, Seven Hills and Blacktown, involving the following additional postcodes: 2146, 2147 and 2148.

Assessment of Option

Issue	Assessment
Postcodes Covered by this Option	▪ Under Option 2 Hawkesbury would have the following postcodes: 2153, 2154, 2155, 2156, 2753, 2754, 2755, 2756, 2757, 2758, 2762, 2764, 2765, 2768, 2775 ▪ The following additional postcodes would be added to Hawkesbury: 2146, 2147 and 2148
Population of the Division	▪ As currently proposed in Option 2, Hawkesbury Division would have a population of 206,896 (2001 Census) ▪ It is estimated that an additional 106,390 people would be added to Hawkesbury under this option, giving it a total population of 313,286. ▪ The new boundaries would also encompass the North-west Growth Centre which is planned to increase by 60,000 households and 162,000 people over the next 30 years
Areas covered	▪ Under Option 2 above the Divisional boundaries go from Castle Hill to Bilpin which is the Northern side of the Blue Mountains and from Wiseman's Ferry in the North to Londonderry, west of Sydney and include Baulkham Hills, Kellyville, Rouse Hill, Kenthurst and Annangrove • The following areas would be added: Toongabbie,

Issue	Assessment
	Seven Hills and Blacktown
Likely Number of GPs in this option	▪ Under Option 2 above there would be 173 GPs ▪ This proposal would add a further 129 GPs, giving it a total of 302 GPs
Benefits of the Option	▪ Aligns with the boundaries of the SWAHS which would facilitate access to hospital and community health services ▪ Strengthens the overall Divisions network by making the Hawkesbury Division more viable in the short-term and being able to benefit from the significant growth which is planned for the area between Kellyville and Windsor over the next 30 years
Disadvantages of the Option	▪ Divides Blacktown and Mt. Druitt, which are part of the one LGA and which have considerable community of interest in terms of health needs and health services and demographic and socio-economic profiles ▪ The areas acquired by Hawkesbury would be quite different in relation to health needs and health services and demographic and socio-economic profiles ▪ Would divide the Blacktown local government area ▪ Statistical collection and analysis of data would be more complicated
Staffing Implications	▪ Additional staff would be required to undertake the additional responsibilities
Contractual Implications	▪ Hawkesbury Division would need to renegotiate its OBF and program funding agreements with DoHA to take account of its responsibilities in relation to the newly incorporated areas ▪ The negotiations with DoHA would need to take account of the costs of establishing the new Division, engaging GPs, additional office space and equipment, etc
Governance Implications	▪ Hawkesbury would need to restructure its board to ensure that GPs from the new areas were involved with the governance of the new Division ▪ Hawkesbury would need to recruit directors with relevant skills and connections to the community and other health providers ▪ There would need to be some support provided to Hawkesbury to establish governance and management procedures, systems and processes

Issue	Assessment
Risks Associated with this Option	▪ Hawkesbury Division does not have the capacity to manage the larger area and number of GPs covered by the proposal ▪ The proposal does not gain the support of the GPs in either the current Hawkesbury area and/or the areas to be added to the Division

(g) Option 4 – The Auburn Variation

Overview of Option

This option would entail:

- Establishment of the new Hawkesbury-Hills Division of General Practice comprising the current Hawkesbury Division and the Hills District of the former Western Sydney Division;
- A new Division, Sydney West, comprising the Parramatta, Holroyd, Blacktown and Mt. Druitt areas of the former Western Sydney Division, under the auspices of WentWest; and
- The Auburn area of the former Western Sydney Division would be subsumed into Bankstown Division.

Assessment of Option

This assessment is confined to the amalgamation of the Auburn area of the former Western Sydney Division into the Bankstown Division.

Issue	Assessment
Postcodes Covered by this Option	▪ Bankstown Division currently has the following postcodes: 2162, 2190, 2197, 2198, 2199, 2200, 2211, 2212, 2213, 2214. ▪ The following postcodes would be added into Bankstown: 2141, 2142 and 2144
Population of the Division	▪ The current population covered by the Bankstown Division is 164,760 (2001 Census) ▪ An additional 69,633 people would be added to the Bankstown Division, which would then cover a total population of 234,393
Areas covered	▪ Bankstown Division currently covers the Bankstown Local Government Area of 76 square kilometres and contains the following suburbs: Padstow, Revesby, Panania, Milperra, East Hills, Birrong, Chester Hill, Sefton, Greenacre, Wiley Park, Lakemba, Punchbowl, Bass Hill, Regent's Park, Georges Hall, Yagoona, Bankstown, Condell Park and Mount Lewis ▪ The following areas would be added into the Bankstown Division: Lidcombe, Auburn and Granville

Issue	Assessment
Likely Number of GPs in this option	▪ Bankstown Division currently has 166 GPs ▪ This proposal would add 58 GPs to Bankstown Division
Benefits of the Option	▪ It would strengthen the viability of the Bankstown Division ▪ It would establish more formal contacts between Bankstown and the Auburn Hospital, which becomes a receiver of patients from Bankstown GPs in some code red situations and for some medical and surgical services ▪ There is some community of interest between the Auburn and Bankstown areas based on the demographics and ethnic mix of the of the population – both have significant numbers of Islamic residents
Disadvantages of the Option	▪ It would cut across two area health service boundaries – SWAHS and SSWAHS, which would complicate the delivery of some services ▪ It would not be an optimal solution in strengthening the Divisions network, as it would leave Divisions adjacent to Bankstown with future viability problems, e.g., Canterbury. Canterbury is within SSWAHS and would appear to be a more appropriate Division for amalgamation with Bankstown in terms of community of interest and linkages with services provided by SSWAHS. Other possibilities would be Liverpool or Fairfield
Staffing Implications	▪ Additional staff would be required to undertake the additional responsibilities
Contractual Implications	▪ Bankstown Division would need to renegotiate its OBF and program funding agreements with DoHA to take account of its responsibilities in relation to the newly incorporated areas
Governance Implications	▪ Bankstown would need to restructure its board to ensure that GPs from the new areas were involved with the governance of the new Division ▪ Bankstown would need to recruit directors with relevant skills and connections to the community and other health providers ▪ There would need to be some support provided to Bankstown to establish governance and management procedures, systems and processes

Issue	Assessment
Risks Associated with this Option	▪ Bankstown Division does not have the capacity to manage the larger area and number of GPs covered by the proposal ▪ The proposal does not gain the support of the GPs in either the current Bankstown area and/or the areas to be added to the Division ▪ Dealing with two area health services impairs the delivery of services and programs

(h) Comparative Assessment of the Options

We have undertaken a comparative assessment of the options against the principles and some additional criteria developed to assess the relative merits of each option. We have used a four scale rating criteria to assess the options as follows:

0 – does not meet the criteria

1 – meets the criteria partially

2 – meets the criteria

3 – meets the criteria to a high degree

Our assessment of the options is set out in the table below. It is important to emphasise that the nature of the criteria involve making a judgement as to how well each option meets the criteria. Our assessment takes account of the views of stakeholders, our knowledge and understanding of the Divisions of General Practice Program and its future directions, our knowledge and understanding of organisational management and how each of the options meets our better practice governance principles.

The criteria that are highlighted in the table are those associated with the principles for development of options.

Criteria	1. No Boundary Change Option	2. Two Divisions Option		3. Divide Blacktown Variation	4. Auburn Variation
		Hawks + Hills	APBMtDH		
Improved health outcomes	2	2	2	2	2
Support to General Practice & GPs	2	2	2	2	2
Deliver effective primary care	2	2	2	1	1
Strengthen Divisions Network	0	3	3	1	1
Responds to projected growth	0	3	3	2	1
Efficient and effective program delivery	2	3	3	2	2
Effective linkages to SWAHS and other providers	3	3	3	1	1
Facilitate effective governance	3	3	3	3	3

Criteria	1. No Boundary Change Option	2. Two Divisions Option		3. Divide Blacktown Variation	4. Auburn Variation
		Hawks + Hills	APBMtDH		
Practicable and Readily implemented	2	2	2	1	2
Meet the needs of the community	2	2	2	1	1
Enhance capacity to articulate issues and influence outcomes	2	2	2	1	1
Match relevant local government boundaries	3	3	3	0	0
Facilitate collection and aggregation of data	3	3	3	0	0
Enhance the capacity to attract funding from other sources	2	2	2	1	1
Facilitate the organisation being accredited by 2008	2	2	2	2	2
Support for Option	2	1	1	1	1
Level of Risk[15]	2	2	2	1	1
Total Score	**34**	**40**	**40**	**22**	**22**

(i) Recommended Option and Approach

In recommending structural efficiency options for implementation, we have taken account of the principles and criteria for assessing the merits of each option and also the need, in the interests of affected GPs and the community of Western Sydney, to act quickly to re-establish divisional arrangements in the former Western Sydney area.

Accordingly, we recommend that Option 2 - the "Two Divisions Option" be implemented immediately. This would entail:

- **The establishment of a new Division, which for the purposes of this report will be called Hawkesbury - Hills Division, comprising the Hills District of the former Western Sydney Division and the Hawkesbury Division; and**
- **the establishment of a new Division which for the purposes of this report will be called Sydney West Division, auspiced by WentWest, comprising the Auburn, Parramatta, Holroyd, Blacktown and Mt. Druitt districts of the former Western Sydney Division Accordingly, we recommend a three stage process being followed in addressing structural efficiency issues in Western Sydney**:

(j) Rationale for and Benefits of the Recommended Approach

We believe that the recommended approach:

- Provides a basis for the earliest possible re-establishment of Divisions' programs and services in Western Sydney responding to the immediate

[15] The higher the score the lower the risk of the option

needs of general practitioners, community health and hospital service providers and the community of Western Sydney;

- Strengthens the overall Divisions network by making the Hawkesbury Division more viable in the short-term and able to capitalise on the significant growth which is planned for the area between Kellyville and Windsor over the next 30 years (an additional 160,000 people will live there over that period);
- Is cost effective in that it does not increase the number of Divisions requiring administrative funding and builds on existing administrative infrastructure in WentWest and the Hawkesbury Division (although there will be a need to provide appropriate transitional and infrastructure development funding – this would be negotiated with the Department);
- Establishes Divisions within relevant area health service and LGA boundaries, facilitates collection and analysis of statistical information and access to and integration with relevant hospital and community health services;
- Enhances the prospect of achieving GP engagement, with the responsibility for establishing the proposed arrangements being vested in GP organisations;
- Minimises disruptions to the boundaries of the former Western Sydney Division, whilst strengthening the overall Divisions Network.

5. Implementation of the Recommended Options

(a) The Risks to a Successful Implementation

In considering our approach to implementation and what is necessary for it to be successful, we have considered what are the potential barriers or risks to a successful implementation and what needs to be done to ensure that they are managed effectively throughout the process. Set out below is our assessment of the major risks to a successful implementation strategy and how they should be managed during the restructuring process. This has been developed from our experience in other major change management processes and the issues which have arisen in the stakeholder consultations.

Possible Risk	Proposed Management Strategy
1. Inability to engage GPs in the new Divisions	▪ ADGP/DoHA should provide comprehensive information and feedback to GPs in Western Sydney on the outcomes of this review and the decisions that have been made as a result of the review, including proposed implementation arrangements ▪ DoHA needs to provide adequate funding to underpin the engagement of GPs ▪ Each of the new Divisions should ensure there is extensive communications with GPs during the establishment of the new Divisions and beyond ▪ A variety of mechanisms should be used to communicate with GPs, including face to face meetings, newsletters and websites ▪ GP members of the Boards of WentWest and Hawkesbury Divisions should be actively involved in communicating with GPs in each of the new Divisions, particularly during the establishment phase – first two years ▪ Each new Division should establish mechanisms to involve GPs in the development and management of Divisional programs in each of the sponsoring organisations as soon as possible ▪ Each new Division should

Possible Risk	Proposed Management Strategy
	establish Practice Support Officer arrangements so that specified staff in each of the new Divisions are responsible to liaise with and provide the full range of services and program support to nominated GPs and practices in in specified areas of each of those Divisions
2. Inadequate understanding of what is needed to be done to achieve effective implementation of the new Divisions	▪ Each of the new Divisions should develop a Change Management Plan covering the following areas: ○ An assessment of the risks to a successful establishment of the new Divisions and strategies to manage them ○ A change impact analysis and business transition strategy which identifies all the key tasks to be undertaken, who is to do them and when they need to be completed ○ A communications plan for GPs, other key stakeholders and staff of the affected organisations ○ Reporting and monitoring arrangements and responsibilities ▪ Each of the new Divisions should secure expert assistance and advice, where necessary

Possible Risk	Proposed Management Strategy
3. Inadequate resources to enable the successful establishment of the new Divisions	▪ Each of the new Divisions should begin negotiations with the Central Office of Department of Health and Ageing in relation to future funding, including transitional funding to enable the new Divisions to be established and ongoing funding to establish and deliver programs ▪ Transitional funding bids from each of the new Divisions need to include funding for: ○ Engagement of GPs and other key stakeholders ○ New or additional office space and associated re-location costs ○ Recruitment of staff ○ Additional office furniture and equipment ○ Enhancement of IT systems ○ Securing expert assistance and advice where needed ▪ DoHA senior management should meet with the Boards of each of the new Divisions to ensure that they are aware of their needs for establishment and transitional funding

Possible Risk	Proposed Management Strategy
4. Inability to negotiate mutually agreed contracts with DoHA	▪ Each of the new Divisions should begin negotiations with the Central Office of Department of Health and Ageing in relation to future funding, including transitional funding to enable the new Divisions to be established and ongoing funding to establish and deliver programs ▪ DoHA needs to ensure that it provides adequate resources to enable each of the new Divisions to gear-up for the delivery of Divisional programs and services, including funding for recruitment of staff, additional office space, IT systems, communications with GPs and other key stakeholders, etc ▪ DoHA senior management should meet with the Boards of each of the new Divisions to ensure that they are aware of their needs for establishment and transitional funding
5. Inability to gain support from key stakeholders, including ANSWD and SWAHS	▪ Each of the new Divisions should ensure that it has the resources to undertake extensive communications with the key external stakeholders, including face-to-face discussions

Possible Risk	Proposed Management Strategy
6. Inability to attract and retain skilled and experienced staff	▪ Each of the new Divisions should ensure that adequate resources are made available for the recruitment of staff ▪ Each of the new Divisions should, where possible, access the staffing resources of the former Western Sydney Division or Western Sydney General Practice Support ▪ Each of the new Divisions should use existing networks in the health sector to ensure that potential staff are aware of employment opportunities in each of the new Divisions ▪ Each of the new Divisions should explore secondment opportunities where appropriate ▪ Each of the new Divisions should ensure that remuneration and conditions of employment are competitive
7. Governance failures in participating organisations during the transition period	▪ Each new Division should review the adequacy of its Board membership and operations and the capacity of its management team to undertake the additional responsibilities ▪ Each of the new Divisions should undertake appropriate Board and management training as required ▪ Each of the new Divisions should seek appropriate legal, accounting and other advice as required ▪ Each of the new Divisions should establish mechanisms to involve GPs in the development and management of Divisional programs and services as soon as possible ▪ DoHA senior management should meet with the Boards of each of the new Divisions to outline its expectations in relation to the governance and accountability of each organisation

(b) Principles Underlying the Implementation Process

We believe that for the implementation of the new Divisions to be successful it should be underpinned by:

- **Open and transparent communication with GPs and staff and key external stakeholders throughout the implementation process, from agreement to establish the proposed new Divisions through to well beyond the commencement of the new organisation or arrangements;**
- **Clear and strong leadership of the process from the Boards and CEOs/EOs of the organisations involved;**
- **Early establishment of arrangements in each of the new Divisions to involve and engage GPs in the development and management of programs and services;**
- **Sound corporate governance arrangements in each of the new Divisions, covering the composition and operations of the Board, the capacity of the management teams and the systems and processes underpinning the management of the organisations; and**
- **Dedicated resources to establish the new Divisions, covering reasonable transition and establishment costs, including resources to actively engage GPs in the areas covered by the new Divisions.**

(c) Implementation Issues and Strategies for ADGP/DoHA

It is important that all parties recognise that the establishment of the new Divisions and their operation on an ongoing basis is unlikely to be achieved quickly. It will take time for both organisations to gear-up for the delivery of programs and services and this will be dependant on such things as:

- **Conclusion of negotiations and finalisation of agreements between each of the Divisions and DoHA;**
- **Recruitment of staff to undertake the new/additional Divisional programs and services;**
- **Engagement of GPs and other relevant stakeholders;**
- **Acquisition of new/additional office space and office furniture and equipment.**

We believe that it is important that ADGP/DoHA undertake the following activities to facilitate implementation of the new arrangements:

- **Provide comprehensive information and feedback to GPs in Western Sydney on the outcomes of this review and the decisions that have been made** as a result of the review, including proposed implementation arrangements;
- **DoHA needs to provide adequate funding to enable the successful establishment of each of the new Divisions.** Funding will need to cover:
    - establishment and transition **costs**, including acquisition of and re-location to new or additional office premises, purchase of new furniture and office equipment, recruitment of new or additional staff, securing expert assistance and advice where needed, etc;

  - **communications with and engagement of GPs and other stakeholders**;
  - **establishment and delivery of Divisions of General Practice and related programs and services**; and

- **DoHA senior management should meet with the Boards of each of the new Divisions to understand their needs and to outline its expectations of each of the organisations**.

(d) Common Implementation Issues and Strategies for each of the New Divisions

There are a number of implementation issues which will be common to each of the new Divisions. These are dealt with below.

The Management of the Changes in Each of the New Divisions

We believe that it is critical that each of the new Divisions to develop a **change impact analysis** covering the establishment and implementation of the new Division.

This analysis is critical for:

- **Identifying all the key tasks to be undertaken**, who is to do them and when they need to be completed; and
- **assessing the impacts of the proposed change** on the management of people, business processes, finances, corporate infrastructure, technology and systems of each organisation.

The establishment of each new Division will involve a large number of tasks covering such things as:

- **establishing the new organisation**, including:
  - reviewing membership of each Board,
  - establishing appropriate arrangements for involving GPs in the development and management of programs and services,
  - reviewing the adequacy of current structures and management teams,
  - recruitment of new staff,
  - acquiring additional or new office space and/or premises;
- **negotiating financial arrangements with the Department of Health and Ageing,** covering the costs associated with the establishment of the new Divisions, funding for communication with and engagement of GPs, funding for the recruitment of staff and funding for the delivery of programs and services to GPs;
- **communicating with and engaging GPs;**
- **communicating with and engaging existing and new staff;**
- **communicating with and engaging external stakeholders;** and
- **reviewing the adequacy of HR, financial and other systems**.

Because of the large number and the complexity of the tasks involved it will be essential that they are all clearly identified at the outset, people within the organisation are allocated responsibility for their achievement, a firm timeframe is established for completion of each

task and adequate processes are established by the Board and CEO for monitoring progress. This planning needs to factor in sufficient time to secure approvals from government agencies and other organisations.

This will need the participation of all the key staff of the two new Divisions. There is likely to be some value in having this process facilitated externally by appropriately skilled consultants in change management. This process needs to be undertaken shortly after agreement has been reached to the establishment of the two new Divisions.

Engagement of GPs and Other Key Stakeholders

This will be a critical task for each of the new Divisions and the success of each organisation in re-establishing Divisional programs and services in the areas covered by the former Western Sydney Division will be directly dependant on how well they are able to communicate and engage with the GPs in their areas.

We believe that each of the new Divisions will need to:

- **Develop a Communications Plan and Strategy** which ensures there is:
    - extensive communications with GPs during the establishment of the new Divisions and beyond;
    - extensive communications with key external stakeholders, including ANSWD, SWAHS, DoHA State Office, RACGP, ???
    - employs a variety of mechanisms to communicate with GPs and other key stakeholders, including face-to-face meetings, newsletters and websites;
    - active involvement of the GP members of the Boards of WentWest and Hawkesbury Division, particularly during the establishment phase – first two years.
- **Establish mechanisms to involve GPs** in the development and management of Divisional programs as soon as possible;
- **Establish Practice Support Officer arrangements** so that specified staff in each of the new Divisions are responsible to liaise with and provide the full range of services and program support to nominated GPs and practices in specified area of each of those Divisions; and
- **The Boards of each of the new Divisions need to monitor implementation of the Communications Plan on a regular basis**.

Funding for the Establishment and Ongoing Operations of the New Divisions

Adequate resources are critical to the successful establishment and ongoing operations of each of the new Divisions. It is essential that DoHA are reasonable in considering the level of funding needed by each of the new Divisions to be established and operate successfully.

We believe that each of the new Divisions needs to:

- **Develop a comprehensive budget proposal** before it commences discussions and negotiations with DoHA. The budget needs to take account of and allocate funding for:
    - establishment and transition costs, including acquisition of and re-location to new or additional office premises, purchase of new furniture

and office equipment, recruitment of new or additional staff, securing expert assistance and advice where needed, etc;

- communications and engagement of GPs and stakeholders;
- establishment and delivery of Divisions of General Practice and related programs and services; and

- **Undertake negotiations with DoHA as soon as possible**.

Recruitment of Staff

Both of the new Divisions should:

- Ensure that adequate resources are made available for the recruitment of staff;
- Access, where possible, the staffing resources of the former Western Sydney Division or Western Sydney General Practice Support;
- Use existing networks in the health sector to ensure that potential staff are aware of opportunities in each of the new Divisions;
- Explore secondment opportunities where appropriate; and
- Ensure that remuneration and conditions of employment are competitive.

Capacity of Each of the New Divisions to Undertake Their Responsibilities

If each of the new Divisions is to be established and to operate successfully, it is critical that they each have:

- The right skills and experience on their Boards
- A better practice governance framework in place;
- A management team with relevant skills and experience;
- An organisation structured to deliver program outputs and outcomes efficiently and effectively;
- Appropriate management and financial systems and processes to undertake their new or expanded functions and responsibilities; and
- Appropriate arrangements for the engagement and management of their key external stakeholders.

We consider that each of the new Divisions needs to:

- **Review the adequacy of its Board membership**;
- **Review the adequacy of its governance framework** and its operation against the better practice principles outlined in **Appendix C**;
- **Review the capacity of its management team** to undertake the additional responsibilities;
- **Undertake appropriate Board and management training** as required;
- **Seek appropriate legal, accounting and other advice** as required;
- **Review the adequacy of its management systems and processes** to undertake their new or expanded functions and responsibilities; and
- **Review the adequacy of arrangements for the engagement and management of their key external stakeholders.**

(e) Specific Implementation Issues and Strategies for the new Hawkesbury – Hills Division

Apart from the issues and strategies outlined in Section (d) above, the key implementation issues to be addressed by the new Hawkesbury – Hills Division are to:

- Make interim changes to the current Hawkesbury Division Board to include representation of some GPs from the Hills District;
- Relocate the offices of the Hawkesbury Division to a more central part of the Division to facilitate contact with GPs in the Hills area; and
- In the longer term, revise the Constitution of the Hawkesbury Division to take account of the addition of the Hills area.

(f) Specific Implementation Issues and Strategies for the new Sydney West Division

Apart from the issues and strategies outlined in Section (d) above, the key implementation issues to be addressed by the new Sydney West Division:

- Develop appropriate arrangements for the involvement and engagement of GPs in Sydney West in the development and management of Divisions of General Practice programs and services;
- Secure additional offices to facilitate delivery of Divisions of General Practice programs and services;
- In the longer term, develop appropriate arrangements for the ongoing management of Divisions of General Practice programs and services in Sydney West.

Appendix A – Communiqué and Briefing Paper for Stakeholders

The following paper was circulated to stakeholders:

Consultancy for Divisions Review - Western Sydney

Background to the Review

Following the liquidation of the Western Sydney Division of General Practice, the Australian Divisions of General Practice (ADGP) has secured funding from the Department of Health and Ageing to continue providing programs and services to the general practitioners and community of Western Sydney until the new entity is in place.

These are interim arrangements and there is a need to identify what permanent arrangements should be put in place to best service the needs of general practitioners and the community of Western Sydney and surrounding areas.

WalterTurnbull, an accounting and consulting firm based in Sydney, Melbourne and Canberra has been appointed by ADGP and the Alliance of NSW Divisions (ANSWD) to assist in identifying what these permanent arrangements might be.

Terms of Reference for the Review

WalterTurnbull is required to:

- Identify alternative options available for a future Divisions structure to service the needs of Western Sydney;
- Develop a business case that explores the identified options as per Departmental guidelines; and
- Make recommendations regarding a preferred option and an implementation strategy.

The focus of this review is on what future arrangements will best meet the needs of general practitioners and the community in Western Sydney and surrounding areas.

In undertaking this review, WalterTurnbull will act as independent advisers in developing options and making recommendations.

Stakeholder Consultations

The views of the key stakeholders will be central to developing options for and deciding on what will be the best way in which to service the general practitioners and community of Western Sydney in the future.

The consultants will undertake extensive consultations with the key stakeholders. This will entail a mixture of one-on-one and focus group discussions. Stakeholder discussions will include:

- Local GPs in the former Western Sydney Division, utilising focus group discussions with the five local organising committees, the Mount Druitt Medical Practitioners Association and the Western Sydney GP Action Group;
- The Management Advisory Group of WSGPS (interim service provider);
- Key people nominated by the Management Advisory Group;
- Representatives of the Sydney West Area Health Service and Westmead Children's Hospital;
- Management and staff of WSGPS;
- Representatives of the Department of Health and Ageing and other relevant Commonwealth agencies;
- Representatives of the neighbouring Divisions;
- ADGP and ANSWD; and
- Other relevant stakeholders identified during the project.

Timing of the Consultancy and Deliverables

It is expected that the final report would be delivered in late July, 2005.

WalterTurnbull's Experience in Relation to the Health Sector and the Divisions of General Practice Program

The project will be undertaken by Greg Fraser and Brian Kimball of WalterTurnbull. Greg Fraser was a CEO of the ACT Department of Health and Community Care and Brian Kimball is an experienced health sector consultant. Both Greg and Brian have had extensive health sector experience, including projects in relation to:

NHMRC - Development of and review of corporate governance arrangements for the Diabetes Vaccine Development Centre (DVDC), the Expert Advisory Group on Antimicrobial Resistance (EAGAR) and the Special Expert Committee Transmissible Spongiform Encephalopathies (SECTSE)

Cystic Fibrosis Australia - Developing options for a new governance structure and recommended strategies for implementation

Diabetes Australia Limited – Developing a strategic level risk assessment and risk management plan

Department of Health and Ageing - Development of a governance framework for the implementation of a Central Medicines Data Repository

Department of Health and Ageing - Business advice on the development of the Deed of Agreement with the Australian Red Cross Blood Service

Tasmanian General Practice Divisions Limited - identifying and assessing possible options for the restructure of the Tasmanian Divisions

Sally Maspero

10 June 2005

Appendix B – List of Stakeholders Consulted During the Review

Interviewee	Organisation
Divisions of General Practice	
Ms Sally Maspero	Manager, Western Sydney General Practice Support
Dr Aline Smith	Chair, Central Sydney Division
Dr Michael Moore	CEO, Central Sydney Division
Dr Michael Crampton	Chair, Hawkesbury Division
Dr XX	Director, Hawkesbury Division
Mr Darren Carr	CEO, Hawkesbury Division
Dr Magda Campbell	Chair, Hornsby Ku-ring-ai Division
Ms Tricia Rowlison	CEO, Hornsby Ku-ring-ai Division
Ms Amara Bains	CEO, Fairfield Division
Dr Gabriel So	Chair, Fairfield Division
Mr Michael Edwards	CEO, Nepean Division
Dr Susan Harnett	Chair, Bankstown Division
Ms Carolyn Gethings	Executive Officer, Bankstown Division
Dr Linda McQueen	Director, Blue Mountains Division
Ms Rachel Merton	Executive Officer, Blue Mountains Division
Individuals	
Dr Ron Tomlins	Future Medical Concepts
Dr Di O'Halloran	Former Acting CEO, Western Sydney
Mr Martin Wiltshire	WentWest Limited
Professor Tim Usherwood	University of Sydney
Dr Hanni Bittar	Former Board Member, Western Sydney
Dr Ross White	Consultant and former Board Member, Western Sydney
Dr Michael Fasher	Former Board Member, Western Sydney
Dr Jan Tweedie	Manager of Clinical Services, Auburn Hospital
Professor Kim Oates	CEO, Westmead Children's Hospital
Dr Glenn Close	Executive Director, Population Health, Sydney West Area Health Service
Dr Jeanette Sheridan	Acting Executive Sponsor, Blacktown and Mt Druitt Hospitals

Interviewee	Organisation
Ms Kim Scanlon	Associate Director, Chronic Care Unit, NSW Department of Health
Ms Leanne Wallace and Ms Christine Foran	Primary Health and Community Partnership Unit, NSW Department of Health
Mr Arthur Yannakou	Director, Hills Private Hospital
Other Organisations	
Members of Management Advisory Group, Western Sydney General Practice Support	Dr. Pranash Chanda Dr. Peter Elliot Dr. Peter Edwards Dr. Michael Fasher Dr. Bandu Herat Dr. Suman Sood Dr. S Sundar Dr. Michael Tan Professor Tim Usherwood Dr. Ross White Mr. Ray Dooley Dr. Michael Moore Ms. Sally Maspero
Mt Druitt Medical Practitioners Association	Members of the Executive of the Association
Alliance of NSW Divisions	Dr. Vlad Matic, President Mr. David Bruce, Chief Executive Mr. Ray Dooley
Central Office, Commonwealth Department of Health and Ageing	Ms. Lisa McGlynn, Assistant Secretary, Budget and Performance Ms. Vanessa Skiba
NSW State Office , Commonwealth Department of Health and Ageing	Mr. Peter Merrett, Director, Health Services Development Branch Ms. Linda Mere, Manager, Primary Care Ms. Cath Sefton, Senior Project Officer
Australian Division of General Practice Ltd.	Ms. Kate Carnell Ms. Liesel Wett
Sydney West Area Health Service Executives	
Forums of GPs – Locations	
Westmead	
Auburn	
Parramatta	
Blacktown	

Appendix C - Better Practice Corporate Governance Principles and Practices

(a) Overview

In developing and assessing the efficacy of the options and our recommended model for the future we have had regard to a range of better practice models and approaches to corporate governance[16].

Good corporate governance is designed to enable an organisation to meet its key objectives, manage key organisational and business risks and fulfill its legal and other accountabilities.

Governance needs to encompass the following elements:

- **Strategy** – covering planning and strategy setting, risk management, stakeholder relations and succession planning.
- **Performance** – leadership, setting organisational and individual goals related to financial and operational performance, ensuring the right mix of skills and experience and monitoring organisational and individual performance.
- **Compliance** – compliance with the relevant legislative and regulatory requirements and social conformance.
- **Transparency and Accountability** – establishing clear roles and responsibilities, an effective management environment, ethical standards and values, control and accountability systems and mechanisms, efficient and effective use of resources.

Some of the key principles underlying our approach are:

(b) The Composition and Operations of the Board

The Role of the Board

- Roles and responsibilities need to be clearly defined and understood. The Board's role and responsibilities should be defined clearly and articulated in a Board Charter. The Charter should be approved by the Board and circulated to directors, the CEO and senior management.
- The Board should ensure that it maintains a focus at the strategic and governance level, whilst ensuring that the CEO and senior

[16] See, for example, Harvard Business Review on Corporate Governance, Harvard, 2000, G Pease and K McMillan, The Independent Non-Executive Director, Melbourne, 1993, John Carver, Boards That Make a Difference: a New Design for Leadership in Nonprofit and Public Organisations, 2nd Edition, San Francisco, 1997, John Carver and Miriam Mayhew Carver, Reinventing Your Board: A Step-by-Step Guide to Implementing Policy Governance, San Francisco, 1997, Henry Bosch, The Director at Risk: Accountability in the Boardroom, South Melbourne, 1997 and Frederick G Hilmer, Chairman, Strictly Boardroom, Melbourne, 1993, Ivor Francis, Future Direction: The Power of the Competitive Board, South Melbourne, 1997, Standards Australia, Australian Standard on Good Governance Principles (AS 8000-2003), Australian College of Health Service Executives, Best Practice Governance, Australian National Audit Office, Better Practice Guide on Public Sector Governance, Boardworks *International,* "Those Inescapable Directors' Duties" Good Governance , Number 33, May-June 2003, pps 1-5 and Institute of Internal Auditors Research, Corporate Governance and the Board – What Works Best, Altamonte Springs, Fla, USA, 2001.

management are empowered to manage the organisation at the operational level.

- The Board should approve the organisation's strategic directions and evaluate its implementation. The Board also needs to ensure that the management and staff of the organisation and its key stakeholders understand these directions and, that management and staff are committed to their achievement.
- The Board should agree performance indicators with management and then monitor actual results against them.
- The Board should select, evaluate, reward, and if necessary replace the CEO and ensure that appropriate senior management succession plans are in place. CEO performance should be reviewed formally on an annual basis against agreed performance targets. The CEO's performance targets should influence the performance requirements for other senior managers.
- The Board should consider and determine the policies needed to strengthen the performance of the organisation. The Board should develop board policies defining the limits of authority, the governance processes and the linkages between the board and the CEO.
- The Board needs to establish an appropriate framework to ensure that the behaviour of Directors and employees is at all times legal and ethical and meets statutory requirements.
- The Board should ensure that management has an appropriate framework and policies in place to identify and manage the business risks facing the organisation. This should include regular reports to the Board on the progress being made to manage those risks.
- The Board should evaluate its own performance by setting annual objectives, collecting information on its performance and formally reviewing and evaluating how well they met the agreed objectives.

The Size and Composition of the Board

- The Board should be sized to promote cohesion, enabling the members to understand their common objectives and dedicate the time to accomplish them. There is no magic number, but better practice suggests that a Board exceeding 9-10 members may find it difficult to meet this criterion.
- A majority of directors should come from outside the organisation and have no commercial relationship with it. Arrangements should be put in place to ensure that directors with a material conflict of interest formally declare the interest and do not participate in making decisions on issues that would give rise to the conflict.
- Directors should represent a range of business, community and leadership experiences, relevant to understanding the issues faced by the organisation. It is essential that the combined knowledge and experience of the directors match the strategic demands facing the organisation. As a minimum, it is essential that the directors (individually or as a group) are well versed in the complexity of the organisation and its industry, finance and financial structure and relevant law and regulation.

- Directors should be prepared to make a significant commitment of their time to their Board responsibilities and receive appropriate remuneration for that.
- The Board should ensure that all Directors are provided with appropriate induction into the Board. This needs to cover their roles and responsibilities as directors, the key goals of and the strategic issues facing the organisation and the roles and responsibilities of the Board. There should be appropriate continuing training and education provided for directors, although it should also be an expectation that Directors will be responsible for maintaining appropriate levels of knowledge themselves.

The Chair of the Board

The Chair of the Board should:

- Be independent of management;
- Provide leadership and vision to the Board and promote Board cohesion;
- Ensure that the Board provides leadership and vision to the organisation;
- Preside over Board meetings, ensure that Board discussions involve healthy debate and enable the Board to make effective decisions in an efficient manner, ensure the Boards decisions are recorded and communicated accurately and in a timely manner; and
- Develop an ongoing relationship with the CEO, be fully informed of day-to-day matters of interest to Directors and be a mentor for the CEO.

Meetings of the Board

- The Board should develop an annual program of planning and review, which guides the formulation of meeting agendas. The Board's focus should be on the future and longer term, strategic issues as well as external, market related issues rather than internal issues of organisational mechanics.
- Board meetings should focus on organisational change, new strategies and policies and not just reviewing past performance.
- The Board needs to determine the frequency of its meetings. The Board needs to ensure that meetings are held frequently enough to enable it to exercise its governance responsibilities and provide adequate direction and guidance to the CEO and management.
- Directors should meet regularly and communicate freely with each other at board meetings and outside board meetings. They should meet with and without management.

(c) Budgeting and Financial and Business Performance

- The Board should approve the organisation's budget and ensure that management provides timely and useful information to assess the

organisation's financial and business performance, make timely decisions and take corrective action when necessary.

(d) Management Structures and Processes

- The Board needs to ensure that the CEO puts in place an appropriate management structure and processes to enable the organisation's goals to be achieved and to facilitate the efficient and effective management of the organisation.

(e) Stakeholder Management

- The Board should ensure that the management of the organisation develops effective relationships with its key stakeholders and monitors performance in respect of these relationships. Key stakeholders are likely to include the partner organisations, relevant Commonwealth and State government agencies, client representatives, staff, and relevant industry and community organisations.

(f) Meeting Accountability Requirements

- The Board should ensure that there are appropriate arrangements in place for the organisation to meet its key accountability responsibilities. These should include meeting key statutory requirements, reporting to shareholders and stakeholders, achieving key outcomes, accounting for the proper use of resources and meeting key environmental and social responsibilities.