

Performance Audit: Service Agreements between Government and Richmond Foundation Malta



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List of Abbreviations

ETC	Employment and Training Corporation
ISO	International Organization for Standardization
JMC	Joint Management Committee
KIDs	Kids in Development
KPI	Key Performance Indicators
MCCAA	Malta Competition and Consumer Affairs Authority
MCH	Mount Carmel Hospital
MEH	Ministry for Energy and Health
MEEF	Ministry for Education, Employment and the Family
MFH	Ministry for Health
MFSS	Ministry for Family and Social Solidarity
MHS	Mental Health Services
MJDF	Ministry for Justice, Dialogue and the Family
MSDC	Ministry for Social Dialogue, Consumer Affairs and Civil Liberties
MSOC	Ministry for Social Policy
NAO	National Audit Office
NGO	Non Governmental Organization
NGOPSC	Non Governmental Organization Project Selection Committee
NSO	National Statistics Office
pppn	Per Person Per Night
QMS	Quality Management System
SMI	Standards and Metrology Institute
VfM	Value for Money

Executive Summary

Executive Summary

Terms of Reference

1. The National Audit Office (NAO) reviewed the contractual provisions of six services offered by Richmond Foundation to various Government Ministries and Departments through five Service Agreements, which were effective during 2014 and 2015. This performance audit was undertaken following a request by the Permanent Secretary, Ministry for Family and Social Solidarity (MFSS), which was subsequently endorsed by the Minister for Finance in terms of Article 9 of the Auditor General and National Audit Office Act 1997. The services provided by the Non Governmental Organization (NGO) mainly related to the provision of community mental health services by this NGO and included the following services:
 - i. Hostel Services.
 - ii. Home Support Services.
 - iii. Kids in Development (KIDs) Programme.
 - iv. Villa Chelsea Programme and Respite.
 - v. Supportive Housing Scheme.
 - vi. Employment for All Project.
2. Within this context, the objectives of this review were mainly based on the MFSS's concerns as expressed by officials of this Ministry in a meeting with NAO on 25 March 2015. Following consultations between NAO and MFSS, the audit's terms of reference were derived as follows:
 - i. Review the Agreements entered into between Government and Richmond Foundation, entitling the latter to public funding and establishing the services that the NGO is to deliver.
 - ii. Establish the allocation of public funds assigned to Richmond Foundation for 2014 (including contributions in kind or indirect funding) and other sources of income.

- iii. Review the Audited Financial Statements of Richmond Foundation for 2014.
 - iv. Examine the deliverables as established in the Agreements with Government and determine the cost of such deliverables.
 - v. Where possible, compare such costs to similar deliverables and determine whether value for money is obtained.
3. Wherever possible, the scope of this audit was extended to 2015 to take cognisance of prevailing circumstances, which may have been brought about by new Service Agreements. The structure of the forthcoming Sections within this Executive Summary are issue based and presented in the same chronology as the audit objectives presented above. The discussion herein will be supported by tables, which provide an overview of the issues elicited with respect to the six services reviewed.

To varying degrees, the Service Agreements were subject to contractual shortcomings

4. An analysis of the Agreements for the six services, to varying degrees revealed a number of contractual shortcomings. These ranged from the non-comprehensive definition of Richmond Foundation provided services to the omission of provisions deemed to be conducive to best practices. Table I refers.

Table I – Contractual shortcomings within the six services provided

Key contractual shortcomings	Hostels	Home Support	KIDs	Villa Chelsea	Supportive Housing Scheme	Employment for All
<i>Service Definition</i>						
Operating capacity in terms of number of service-users				X	X	
Fees payable by service-users	X			X	X	
Minimum staffing levels	X		X			
Post dated signed Agreements	X	X	X	X	X	
<i>Omission of best practice contractual clauses</i>						
Confidentiality and data protection			X	X		
Conflict of interest	X	X	X	X	X	X
Insurance			X	X	X	X
Penalties and incentives	X	X	X	X	X	X
Subcontracting			X	X	X	X
Transition arrangements			X	X	X	X

5. The contractual shortcomings observed do not adequately safeguard the interests of the entities party to the Agreements as well as the wellbeing of service-users benefitting through these Service Agreements. A case in point relates to the omission of clauses referring to co-funding arrangements whereby service-users also contribute towards service provision. Although such a contribution is considered as minimal, the omission of references to such arrangements encroaches on the principle of transparency. Moreover, the issues noted in Table I could unnecessarily render litigation more problematic as well as potentially be detrimental to the management and monitoring of these Service Agreements.

Service Agreements are predominantly Government funded

6. Richmond Foundation's Audited Financial Statements for 2014 and 2015 show that the NGO registered a total operational surplus of €61,363 and a deficit of €10,466 respectively. Furthermore, when considering the Foundation's assets and liabilities as quoted in the Audited Financial Statements, these circumstances are not seen to materially influence the NGO's financial position.
7. The Audited Financial Statements show that Government grants emanating from the Service Agreements account for around 66 and 71 per cent of the total operational income incurred during 2014 and 2015. On the other hand, service-users contributions through the '*Hostels*', '*Villa Chelsea*' and '*Supportive Housing Scheme*' accounted for around nine per cent of the Foundation's total income, during the years under review.
8. However, this review qualifies the NGO's Financial Statements on the basis that service-users contributions were not always appropriately classified under the respective Programme. This was particularly evident in the '*Villa Chelsea*' and '*Supportive Housing Scheme*' Programmes. Nevertheless, this audit confirms that the Financial Statements fully reflect the NGO's total income and expenditure.

Service Delivery was qualitative but Programmes did not always operate at the contractual capacity

9. This audit did not identify material issues of concern with regards the quality of services provided with respect to the six Service Agreements under review. During 2014 and 2015, the Foundation generally adhered to contractual obligations and satisfied other accepted requisites, namely, licensing conditions, the quality certification of its management systems, the almost negligible level of complaints received as well as regulatory reviews undertaken by both the contracting authorities and regulatory bodies, such as the Office of the Commissioner for Mental Health.
10. An issue of concern with respect to service delivery, however, relates to the under capacity of the '*KIDs*', '*Villa Chelsea*' and '*Employment for All*' Programmes. During 2014 and 2015, on average, the *KIDs* Programme had three and six enrolled participants out of a maximum capacity of nine persons. During the years under review, the '*Villa Chelsea*' Programme, intended for 24 service-users for a total of 8,760 annual person-days, was, on average, availed of 5,002 and 6,648 person-days. On the other hand, while the number of enrolled participants in the '*Employment for All*' Programme fulfilled or was marginally below the minimum contractual obligations, only 15 out of 25 and 13 out of 20 completed the Transition Training Phase of the Programme while only two persons completed 520 hours of gainful employment during 2014 and 2015. Since the respective Programme Contracts do not stipulate charges on a per person basis, the NGO received full payment regardless of operating the Programmes referred to herein below its minimum capacity.

Value for money concerns materialized when Programmes operated below the contractually stipulated capacity

11. Value for money considerations with respect to the Programmes under review considered their effectiveness and the extent to which they were delivered in an economical manner. For the purpose of this review, effectiveness criteria related to the quality of the services provided. To this end, the criteria adopted were mainly based on the quality accreditation of services, the level of complaints received as well as regulatory reviews undertaken by both the contracting authority and other

national regulatory and monitoring bodies. Reference to the satisfactory delivery of these elements has been made above within this Executive Summary.

12. The value for money assessment of the Programmes under review also considered its economic aspect from the contracting authority's point of view through three main criteria. The first assessment related to the reasonableness of the costs incurred by Governmental entities with respect to this Programme. Secondly, this review evaluated the reasonableness of the major cost elements comprised by this Programme. Thirdly, where possible, cost of the service delivered was benchmarked with the expenditure incurred by other Governmental entities to provide directly or procure similar services from other organizations. Thus, review confirmed that the above criteria are consistently fulfilled when the Programmes operate at their full capacity. However, as noted earlier, during the years under review, the '*KIDs*', '*Villa Chelsea*' and the '*Employment for All*' Programmes were all operating significantly below their contractually stipulated minimum capacity for a considerable period. In these circumstances, the charge per person increases considerably to the detriment of the Programmes' economic considerations.

Overall Conclusions

13. This Report has illustrated that the persons participating in Government funded Richmond Foundation's Programmes benefitted from professionally delivered services, which generally also fulfilled value for money criteria. Economic considerations, however, could have been significantly improved had three major Programmes operated at their stipulated contractual capacity. Nevertheless, this review elicited some concerns that to varying degrees influenced the delivery of this Programme.
14. The five Service Agreements reviewed pertaining to six services did not consistently and comprehensively elicit key factors relating to service delivery issues, such as the Programme's capacity levels and the expected payment adjustments in such circumstances. To varying degrees, all Agreements omit clauses, which are deemed as standard or reflect best practices in Contract drafting. Moreover, three of the Agreements do not refer to service-users' financial contribution. This review also detected some minor accounting errors, which in two cases did not portray a fully accurate picture of the relevant Programmes' financial operational performance. The foregoing impinges on the Programme's operational transparency and could potentially impinge on service delivery or render issues of litigation between the contracting parties unnecessarily more problematic.
15. In conclusion, this audit acknowledges that the Richmond Foundation Programmes reviewed delivered social benefit to all parties involved in this Agreement, particularly service-users. To this end, service-users have the opportunity to receive mental health rehabilitation services within the community rather than through an institutionalized care environment.

Recommendations

16. In view of the findings and conclusions emanating from this review, the NAO proposes the following recommendations:
 - i. Contractual provisions in subsequent Service Agreements should better define expected service deliverables through clear terms, conditions, specifications and Key Performance Indicators. In addition, Agreements are to include best practices contractual clauses, which are important to safeguard interest of both parties

privity to the Contract. Moreover, such provisions apart from offering protection to the two contracting sides, provide better understanding of deliverables, increase transparency and ensure that Agreements can be effectively managed and monitored.

- ii. Furthermore, contributions that are expected to be made by service-users should be clearly defined in subsequent Service Agreements. Such fees should be a factor for consideration during the negotiations of Agreements between the Parties. This ensures better transparency and traceability.
- iii. Richmond Foundation is encouraged to sustain its efforts to ascertain that contributions paid by service-users are appropriately classified in the Financial Statements under the respective Programme's section. This will provide a clearer picture of all the main sources of income received by Richmond Foundation. Apart from ensuring better transparency, such a state of affair will also contribute for the better management and monitoring of Service Agreements.
- iv. The admission process of service-users benefitting from Service Agreements in place with Richmond Foundation should be further enhanced. Contracts' signatories are encouraged to agree on admission criteria that should be appropriately disclosed in subsequent Agreements.
- v. Richmond Foundation is encouraged to continuously seek approaches to ensure that, as far as possible, Service Agreements are operating at the stipulated capacity. Apart from satisfying contractual obligations, this will also ensure that value for money considerations are further exploited.

Chapter 1

Introduction

Chapter 1 – Introduction

1.1 Terms of Reference

- 1.1.1 The National Audit Office (NAO) reviewed the contractual provision of services by Richmond Foundation to various Government Ministries and Departments. These services mainly related to the provision of community mental health services by this Non Governmental Organization (NGO). This performance audit was undertaken following a request by the Permanent Secretary, Ministry for Family and Social Solidarity (MFSS), which was subsequently endorsed by the Minister for Finance in terms of Article 9 of the Auditor General and National Audit Office Act 1997. As outlined in the aforementioned request, this study mainly focused on the Agreements that were in force during 2014. Nevertheless, where deemed necessary, the scope of the audit was extended to cover Agreements signed during 2015 as well as other information available as at end of this year.
- 1.1.2 Over a number of years, Government Ministries and Departments contractually engaged this NGO to provide services related to the situation referred to in the preceding paragraph. During 2015, five main Contracts involving three Ministries and one Government Corporation regulated the provision of services by Richmond Foundation.
- 1.1.3 The current *'Agreement for the Provision of Home Support and Hostel Services between the Ministry for Energy and Health and the Richmond Foundation'*, was signed in December 2014 and became effective in August 2014. This Service Agreement merged two previous contracts, which provided support to persons who experience mental health illness. The Hostel Services provide accommodation complemented by a 24-hour support service to persons whose condition does not enable them to live independently within the community. During 2014 and 2015, the financial contribution by the Ministry for Energy and Health (MEH) amounted to €168,921 and €276,634 respectively.
- 1.1.4 The *'Home Support'* Service is tailored for the individual needs of service-users and enhances the social, personal and leisure skills with a specific emphasis on the physical and mental wellbeing of users. The relative Agreement caps a maximum annual cost of €140,000 with respect to the *'Home Support'* Service Contract.

- 1.1.5 The *'Kids in Development'* (KIDs) Agreement, originally signed in 2009 with the former Ministry for Social Policy (MSOC), was renewed in 2012 for a further period of three years and is currently being administered by MFSS. This Agreement provides a residential therapeutic Programme for nine children between the ages of five and nine years. During 2014 and 2015, the provision of this service was subject to an annual cost of €263,000.
- 1.1.6 The *'Villa Chelsea'* Agreement provides residential and day community-based care for persons with mental health problems. This Contract also comprises provisions relating to short-term planned respite services for carers. The Non Governmental Organization Project Selection Committee (NGOPSC) within the Ministry for Social Dialogue, Consumer Affairs and Civil Liberties (MSDC) is currently managing this Agreement. During 2014 and 2015, the Programme benefitted from public financial grants amounting to €170,000 per annum.
- 1.1.7 The *'Supportive Housing Scheme'* Agreement provides affordable accommodation together with the relative support to persons with chronic mental health problems. The beneficiaries of this Scheme are persons dependent on a mental health institution but who do not need hospitalization. Similar to the previous Service Agreement, this Project is currently being managed by the NGOPSC within MSDC. During 2014 and 2015, the NGOPSC contributed a financial grant of €20,000 per annum.
- 1.1.8 The fifth Agreement, which relates to the *'Employment for All'* Project, was signed in June 2011 with the former Employment and Training Corporation (ETC), currently known as Jobsplus. This Programme provides specialized and personalized services to persons with mental health difficulties to enhance their employability, with a view to enable their entry into the labour market and retain employment. Through this Agreement, ETC agreed to subsidize this Project by a maximum annual sum of €46,500.
- 1.1.9 During 2013, various Ministries, primarily the MFSS and MSDC, became increasingly aware that NGOs were benefitting from public funds through various governmental entities. Towards this end, the two Ministries carried out an internal analysis on the system and criteria used to award such funds.
- 1.1.10 An Inter-Ministerial Committee *'MFSS Soċjeta` Ġusta Sub-Committee on NGOs Funds'* (Support for Voluntary Organizations Fund), which includes MFSS, MEDE and the MEH was established to address the aforementioned issues. Discussions relating to this Inter-Ministerial Committee commenced in 2014 with the objective of ensuring value for money (VfM) in the awarding of public funds to NGOs. The working group was set up because these Ministries, motivated by the need for improved governance, realised that more coordination was necessary in this area. Such an approach would especially be conducive to avoid possible overlaps between the services provided or contracted by the respective Ministries.
- 1.1.11 Furthermore, measures were also announced in the Budget 2016 Document whereby it was agreed that a new template agreement, in the form of a Public Social Partnership, would be created. To this effect, it was established that projects by NGOs for service provisions (considered as long-term Service Agreements) would in future be the responsibility of MFSS, whereas other specific one-time projects by NGOs would fall under the responsibility of MSDC. Moreover, such a measure would avoid cross funding.

1.2 Aims and objectives

1.2.1 Within this context, the objectives of this review were mainly based on the MFSS's concerns as expressed by officials of this Ministry in a meeting with NAO on 25 March 2015. Following consultations between NAO and MFSS, the audit's terms of reference were derived as follows:

- i. Review the Agreements entered into between Government and Richmond Foundation, entitling the latter to public funding and establishing the services that the NGO is to deliver.
- ii. Establish the allocation of public funds assigned to Richmond Foundation for 2014 (including contributions in kind or indirect funding) and other sources of income.
- iii. Review the Audited Financial Statements of Richmond Foundation for 2014.
- iv. Examine the deliverables as established in the Agreements with Government and determine the cost of such deliverables.
- v. Where possible, compare such costs to similar deliverables and determine whether value for money is obtained.

1.2.2 Wherever possible, the scope of this audit was extended to 2015 to take cognisance of prevailing circumstances, which may have been brought about by new Service Agreements.

1.3 Methodology

1.3.1 In order to attain the above objectives, the NAO reviewed various documentation, including the respective Agreements as well as other service delivery related records as maintained by both the NGO and the respective Ministries and Departments. Moreover, interviews were carried out with key officials from Richmond Foundation as well as the Governmental entities concerned. Audited Financial Statements for 2014 and 2015 were also reviewed.

1.4 Report structure

1.4.1 Following this Introduction, each of the ensuing Chapters is structured to discuss the six services catered for by the five Service Agreements within the context of the audit objectives, as referred to in Section 1.2. To this effect, Chapters 2 to 7 discuss, the Hostel services, the *'Home Support'* services, the *'Kids in Development'* Programme, the *'Villa Chelsea'* Programme, the *'Supportive Housing Scheme'* Project and the *'Employment for All'* Project respectively.

Chapter 2

Service Agreement for the provision of Hostel services

Chapter 2 – Service Agreement for the provision of Hostel services

2.1 Introduction

2.1.1 This Chapter analyses the Agreement governing the provision of Hostel services, entered into between the Ministry for Energy and Health (MEH), currently known as the Ministry for Health (MFH), and Richmond Foundation as the service provider. The latter is to provide 24/7 sheltered accommodation at two Hostels,¹ as well as deliver a rehabilitative Programme for residents with mental health illness, thereby minimizing the need for institutionalized psychiatric care.

2.1.2 Until July 2014, the provision of Hostel services was regulated through a separate Agreement between Mount Carmel Hospital (MCH) and Richmond Foundation. However, the Contract *in vigore* covering the period up to July 2017, relates to the provision of both the 'Home Support' as well as the Hostel services. For the purpose of this audit, these services were reviewed separately. Table 1 refers.

Table 1 : Service Agreements for the provision of Hostel services

Agreement	Governmental entity party to the Agreement	Date of Signing	Contract Duration	Government funding as at commencement of Agreement ²	Target Population
Eleven-Bedded Community Hostel to be run in partnership between Mount Carmel Hospital and Richmond Foundation	Mount Carmel Hospital (MCH)	3 Aug 2006	1 Aug 2006 – 31 Jul 2014	€33.85 pppn	Floriana Hostel – 11 service-users
Agreement for the Provision of Home Support and Hostel Services between the Ministry for Energy and Health and the Richmond Foundation	Ministry for Energy and Health (MEH)	1 Dec 2014	1 Aug 2014 – 31 Jul 2017	€49.00 pppn	Paola Hostel – 11 service-users Qormi Hostel – 12 service-users Hostel 3 – Site to be confirmed

¹ A third hostel in Attard was still under construction during the course of this audit.

² In accordance with contract provisions, the daily rate is adjusted annually by the Retail Price Index.

2.1.3 In line with the audit's objectives, this Chapter discusses the following main issues:

- i. The Hostels' Agreement does not clearly define staffing levels and fees due by service-users.
- ii. Hostels are heavily dependent on Government's financial contribution.
- iii. Service delivery in the Paola and Qormi Hostels generally adhered to contractual provisions stipulated in the Agreement.
- iv. The provision of Hostel services generally represented value for money.

2.2 The Hostels' Agreement is characterized by some contractual deficiencies

2.2.1 An analysis of the Agreement for the provision of Hostel services revealed a number of contractual shortcomings. These were mainly related to the minimum staffing levels as well as any contributions due to the Foundation by service-users. This situation does not adequately safeguard the interests of both entities party to this Agreement as well as the wellbeing of service-users.

The optimal staffing levels have not been established

2.2.2 The Hostels' Agreement in force between MEH and Richmond Foundation does not indicate the optimal or at least the minimum number of staff required to deliver the contracted Hostel services. The omission of such a contractual provision potentially impinges on the quality of care being provided by the Foundation. To varying degrees, however, the monitoring function assumed by the Joint Management Committee (JMC) established in terms of the Contract mitigates the potential service delivery. To this effect, this Committee comprises members from the Mental Health Services (MHS) as well as from Richmond Foundation.

The Contract omits references related to fees payable by service-users

2.2.3 The Agreement under review does not refer to the co-financing arrangements in place, whereby Government and service-users contribute towards the financing of the provision of Hostel services. The Hostels' Agreement stipulates that the MHS within MEH is to pay Richmond Foundation a daily rate of €49 per resident per bed-night. However, as from commencement of this Contract, service-users' contributed €4.79 out of the aforementioned rate, which is equivalent to a monthly payment of €145.70.

2.2.4 This situation materialized through a previous practice, as endorsed by the previous 2006 – 2014 Agreement. The 2006 Agreement stipulated that service-users were to pay a daily rate of €4.66, which shall then increase with the rate of increase of the user's respective pensions. However, this contractual clause relating to service-users' contributions was not replicated in the 2014 Agreement. Nevertheless, this review noted that following the signing of the 2014 Agreement, the two contracting parties agreed, both verbally as well as through e-mail correspondence, to replicate this practice throughout the validity of the current Agreement.

The Agreement omits a number of best practice contractual clauses

2.2.5 This Agreement also omits a number of contractual clauses, which are considered as conducive to best practices.³ To this end, this review noted that there are no contractual clauses to regulate situations of potential conflict of interest. Furthermore, the Contract omits references to penalties and/or incentives in relation to the agreed service delivery. Appendix I provides a more detailed explanation of these best-practice contractual clauses.

2.3 Hostels are heavily dependent on Government's financial contribution

2.3.1 Richmond Foundation is heavily dependent on Government's contribution for the running of these two Hostels at Paola and Qormi.⁴ During 2014 and 2015, this contribution amounted to €168,921 and €276,634 respectively, which is equivalent to around 81 and 84 per cent of the total finances directed towards this Programme. Table 2 refers.

Table 2 : Hostels' main sources of income (2014 and 2015)

Sources of Income	2014	2015		
	Paola (€)	Paola (€)	Qormi (€)	Total (€)
Government's contribution	168,921	196,735	79,899	276,634
Fundraising and donations	7,362	6,595	-	6,595
Service-users' contribution	19,093	18,941	10,290	29,231
Other income	12,150	10,448	5,070	15,518
Total	207,526	232,719	95,259	327,978

2.3.2 Table 2 shows that during 2014 and 2015, a further nine per cent of the Programme's total income emanated from service-users contributions (as discussed in 2.2.3 and 2.2.4). The remaining income was mainly generated through fundraising activities, donations as well as other sources of income. The latter predominantly comprises the deferred income of a grant received by the Foundation with respect to this Programme.

2.4 Personal emoluments are the primary source of Hostel services' expenditure

2.4.1 In 2014, the total cost for the running of the Paola Hostel amounted to €196,633 whereas, in 2015, the Paola and Qormi Hostels incurred a total expenditure of €304,016. During the same period, general overheads relating to this Programme amounted to around 10 and 13 per cent of total expenditure. Table 3 refers.

Table 3 : Hostels' main sources of expenditure (2014 and 2015)

Expenditure	2014	2015		
	Paola (€)	Paola (€)	Qormi (€)	Total (€)
Direct expenditure	176,031	181,013	84,508	265,521
- Salaries and wages	129,374	126,805	46,801	173,606
- Other costs	46,657	54,208	37,707	91,915
Overheads	20,602	20,164	18,331	38,495
Total	196,633	201,177	102,839	304,016

³ Best practice contractual clauses were derived from Australian National Audit Office, 2012, *Developing and Managing Contracts – Getting the right outcome, achieving value for money*.

⁴ The Qormi Hostel was inaugurated in June 2015.

2.4.2 Salaries and wages were the main cost elements relating to the provision of the services associated with the Hostel's Agreement. As noted in Table 3, during the period under review these amounted to €129,374 and €173,606, equivalent to around 73 and 65 per cent of the Hostels' total direct expenditure respectively.⁵

2.4.3 The information presented in Tables 2 and 3 imply that during 2014 and 2015, Richmond Foundation registered an overall surplus of €10,893 and €23,962 with respect to the Hostels services. These surplus funds were not refunded to Government, as the current Agreement does not cater for such a situation. These surpluses, in part, contributed to refurbishment works being undertaken and financed by the Foundation at a new Hostel in Attard, intended to cater for female residents.

2.4.4 Nevertheless, the surpluses emanating from the Hostel services Agreement have to be contextualized against the overall financial position of the Foundation where in 2014 the Non Governmental Organization (NGO) registered a total operational surplus of €61,363. The situation was reversed in 2015 where the NGO ended the year with a deficit of €10,466. Furthermore, when considering the Foundation's assets and liabilities as quoted in the Audited Financial Statements, the operational surpluses registered through this Programme have not materially influenced the NGO's financial position.

2.5 Generally, service provided in Hostels complied to contractual provisions and accepted practices

2.5.1 This audit did not identify material issues of concern with regards the quality of services provided at the Paola and Qormi Hostels. Services provided by Richmond Foundation at these residences during 2014 and 2015 adhered to contractual obligations and satisfied other generally accepted requisites adopted for similar Programmes. Within this context, service delivery was assessed against the criteria indicated hereunder:

i. Licensing by the Department for Health Care Standards

The Paola and Qormi Hostels are both licensed to operate as Mental Health Facilities. The Department for Health Care Standards issues this license in terms of Section 98(1) of the Medical and Kindred Professions Ordinance, the Mental Health Act as well as other applicable laws and regulations. License validity is dependent on yearly inspections by the Department for Health Care Standards, in order to ascertain a satisfactory level of service provision. These inspections did not reveal any major concerns.

ii. ISO 9001 Quality Management Systems certification

Richmond Foundation is ISO 9001:2008 certified by the Standards and Metrology Institute (SMI) within the Malta Competition and Consumer Affairs Authority (MCCAA). SMI Certification reviews all the services provided by the Foundation through a three-year audit cycle to ensure effective operations in line with this Quality Management System (QMS) standard issued by the International Organization for Standardization (ISO). The Paola Hostel was specifically audited on 12 November 2014 and the evidence gathered during such an inspection confirmed that the Foundation's QMS was well implemented and maintained.

iii. Regulatory reviews by the Commissioner for Mental Health

Communications with the Office of the Commissioner for Mental Health as well as the Annual Report published by the same Office for 2015 did not raise any major operational concerns at these Hostels. The latter based these conclusions on a series of inspections at these residences.

⁵ This amount excludes the salaries and wages related to the Head Office, which were apportioned under Overheads.

iv. Inspections by the Mental Health Care Services Directorate and Mount Carmel Hospital

The Mental Health Care Services Directorate carried out the latest inspection in relation to Hostel services provided by Richmond Foundation on 30 November 2015. The operational aspects assessed through such an inspection included the upkeep of facilities, the day-to-day activities carried out by service-users including outings, the continuous support provided by the staff as well as their own professional development. This inspection concluded that the rehabilitative service provided at the Qormi Hostel was deemed to be satisfactory and of good quality.

v. Monitoring function performed by the Joint Management Committee

As outlined in the Hostels' Agreement, the JMC is equally represented by the Government through the Mental Health Services as well as by Richmond Foundation. This Committee is composed of two members from the former and another two representatives from the latter. This Committee is responsible to review all matters related to service provision as well as to monitor the overall performance of service-users. This audit revealed that two meetings were held during 2015. Neither party raised specific concerns during such meetings. This state of affairs was confirmed through discussions held with one of the members appointed by the MHS and correspondence made available to the National Audit Office (NAO).

vi. Complaints

During 2014 and 2015, there were no complaints registered with respect to the provision of the Hostel services under review.

vii. Analysis of Key Performance Indicators (KPIs) associated with service delivery as established in the current Agreement for Hostel services

KPIs are utilized to assist the Foundation in performance monitoring, thereby ensuring quality and safety in the mental health care services provided at the Hostels. To this effect, Appendices 1 and 2 of the Agreement under review lists various performance targets and indicators pertaining to Hostel operations. In accordance with the provisions of the Contract, during 2014 and 2015, the Foundation referred the reports noted hereunder to the responsible Governmental entity for the latter's monitoring purposes.

a. Quarterly Evaluation Reports

Every three months, Richmond Foundation prepares evaluation reports to assess the mental health care services provided at the Paola and Qormi Hostels. Such analysis typically includes an evaluation of KPIs related to the occupancy rate, implementation of individualized care plans and case reviews, as well as the number of admissions to MCH and Mater Dei Hospital because of the patient's mental health illness. Additional statistics directly related to the services provided by the Foundation, including distribution of medication, assistance in housekeeping and personal hygiene, as well as meetings and outings organized were presented through such evaluation reports. Furthermore, activities related to staff training, development and support were also monitored to ensure effective service delivery. In general, the statistics outlined in these reports confirm that Richmond Foundation attained the expected level of service in accordance to KPIs listed in the Contract.

b. Yearly Evaluation Report

The Richmond Foundation compiled report is mainly based on semi-structured questionnaires delivered to the Paola Hostel service-users in 2014 and 2015 respectively. Both surveys confirmed high service-user satisfaction levels, which these exercises assessed at 83 and 78 per cent respectively.⁶

⁶ No Evaluation Report was carried out for the Qormi Hostel since this was inaugurated in June 2015.

viii. Hostels' visits by NAO

This Office carried out an on-site visit at the Paola and Qormi Hostels to enable a better understanding of the different services provided as well as to ascertain that all contractual obligations associated with service provision are being met. These visits did not elicit any material concerns.

2.6 The provision of Hostel services by the Foundation generally constituted value for money

2.6.1 This performance audit assessed value for money (VfM) considerations of the Hostel services under review on the basis of the effectiveness and economy of service delivery. To this end, the effectiveness criteria encompassed quantitative and qualitative output targets as outlined in the Agreement. The economic aspect of service delivery sought to evaluate the extent to which expenditure incurred by Government with respect to this service constituted VfM. Within this context, daily charges per persons were benchmarked with similar services provided by other entities.

Quantitative and qualitative output targets stipulated in the Agreement fulfill the effectiveness criteria adopted for this audit

2.6.2 The previous Section has already noted that services delivered by Richmond Foundation generally complied to the provisions of the Hostels' Agreement as well as to other generally accepted requisites, such as licensing and quality management certification. Within this context, the services provided by the Foundation are considered to fulfill the output criteria adopted for the purpose of this audit.

2.6.3 Moreover, the Hostel services provided by the NGO are conducive to various other positive outcomes. Social benefit related outcomes emanate from the provision of care within a community setting rather than a rehabilitation ward in an institutionalized care environment. To this effect, the mental health care services provided within a Hostel environment are more patient-centered due to the reduced number of service-users. Thus, an individualized care plan supports residents to regain their independence through a greater involvement in their daily living activities as well as more sustained integration within the community through the implementation of an open-door policy. The provision of daily living care within Hostels is provided at a lower cost through care workers rather than nursing care, whilst minor mental health care issues are addressed through the community mental health centres or the psychiatric outpatients.

The costs incurred by Government with respect to Hostel services are deemed reasonable

2.6.4 For the purpose of this review, VfM considerations also entailed an analysis of the economical aspect associated with the provision of Hostel services by Richmond Foundation. Although subject to some methodological limitations, mainly arising from benchmarking services provided within different contexts, the conclusions reached are considered as strongly indicative of the extent to which the services under review fulfill the economic criteria outlined hereunder:

- i. Reasonableness of the major cost elements incurred, namely personal emoluments.
- ii. Favourable cost comparison with similar services provided by other entities.

Payroll expenses are justifiable and commensurate to the responsibilities associated with the provision of mental health care services at the Hostels

2.6.5 During 2014 and 2015, the salaries and wages associated with the provision of mental health care services at these Hostels constituted the major cost element. Although the Agreement under review does not stipulate staffing levels, this review noted that the staff complement providing Hostel services is considered as appropriate. This assertion also draws on a number of reports compiled by other entities on the quality of services provided at these Hostels. Furthermore, this Office did not encounter any correspondence where the JMC, which comprises both Government and Richmond Foundation representatives, outlined issues of inappropriate staffing levels.

2.6.6 Payroll expenses, as the Programme’s main cost element, are also considered reasonable when the NGO’s staff costs are compared to salaries paid by Governmental entities to its personnel employed in the social care and other caring professions. This situation is also substantiated by the significant staff turnover experienced by the NGO who will seek better employment conditions within the Public Sector.

Hostel services costs compare favourably or fall within the same charge category of similar services provided by other entities

2.6.7 The €49 pppn, constituting both Government’s and service-users’ contributions, is considered as highly favourable to Government, especially when comparing this rate with the actual costs incurred to operate a rehabilitation ward at MCH. In 2015, the average cost for provision of institutionalized care at MCH was estimated at around €129. This equates to more than 2.5 times of Government’s contribution towards the Paola and Qormi Hostels.

2.6.8 The costs for Hostel services provided by Richmond Foundation are within a similar range for those relating to comparable services provided by ‘Fondazzjoni Suret il-Bniedem’. It is to be noted that Government also procures similar services from the latter. Table 4 refers.

Table 4 : Comparison of Government’s and service-users’ contribution (2015)

NGO	Government’s contribution	Service-users’ contribution	Total
Richmond Foundation	€44.21	€4.79	€49.00
Fondazzjoni Suret il-Bniedem	€34.10	€8.57	€42.67

2.6.9 Table 4 shows that when considering the total income generated through the Government’s as well as the service-users’ contributions, Richmond Foundation generate a higher financial income by €6.33 pppn. Discussions with officials from MHS confirmed that these two NGOs provide a similar service and indicated that the difference in the daily rate per service-user is only attributable to negotiations undertaken at different periods by two different negotiating entities, namely MHS and MEH.

2.6.10 Value for money considerations relating to Richmond Foundation’s charges with respect to the provision of Hostel services can also be drawn from the operational surplus registered by these services in 2014 and 2015. This surplus, amounting to €34,855 over a two-year period, is not considered financially material within the context of the costs associated with the delivery of this Programme.

2.7 Conclusion

- 2.7.1 The thrust of the Hostel services provided by Richmond Foundation mainly relates to the social benefits that can be derived through the provision of community-based mental health care services. This review confirmed that the services provided conformed to the provisions of the Agreement and other generally accepted practices.
- 2.7.2 Apart from fulfilling a range of service delivery and outcome-based criteria, the Hostel services provided are also considered as financially viable. This statement considers the financial opportunity cost for the provision of such services through residential Hostels rather than the significantly costlier rehabilitation wards through institutionalized care.
- 2.7.3 Despite this audit's positive evaluation of the financial aspect and service delivery associated with the Programme, this review noted some areas where contractual provisions could be strengthened to further safeguard signatories' and service users' interests.
- 2.7.4 The Contract discussed herein also encompasses provisions relating to the '*Home Support*' service provided by Richmond Foundation. The next Chapter of this Report discusses the latter service.

Chapter 3
Service Agreement for the running
of the *'Home Support'* service

Chapter 3 – Service Agreement for the running of the ‘Home Support’ service

3.1 Introduction

3.1.1 This Chapter reviews the ‘Home Support’ Service Agreement entered into between the Ministry for Energy and Health (MEH), currently known as Ministry for Health (MFH), and Richmond Foundation. The main aim of this service is to provide a quality therapeutic service that is individually tailored to the needs of persons suffering from mental health difficulties. To this effect, the ‘Home Support’ Programme comprises interventions that may include either home visits, office visits or any other necessary support to empower clients in their personal recovery Programme.

3.1.2 This Agreement, which caters for persons aged between 18 and 65, emphasizes the physical and mental well-being of users by focusing on improvements in social, personal and leisure skills. The service empowers service-users to manage their daily activities in their own home environment, which, in turn, is deemed to promote a better quality of life. Towards this end, the services provided through this Agreement are mainly designed to:

- i. Empower service-users in their personal recovery programmes.
- ii. Provide information and brief interventions regarding mental health issues.
- iii. Provide opportunities to enhance social, personal and leisure skills.
- iv. Provide a holistic approach to care and recovery, with specific emphasis on physical and mental health.

3.1.3 The current ‘Home Support’ Service Agreement, signed in December 2014⁷, was for a three-year duration effective from 1 August 2014 to 31 July 2017. During the months from January to July 2014, which is also part of the period under review, the ‘Home Support’ service was regulated by an Extension to the 2013 Agreement. Table 5 provides timeline information related to these Agreements.

⁷ This Agreement also includes provisions relating to the Hostels service, which were discussed in Chapter 2 of this Report.

Table 5 : 'Home Support' Service Agreement

Agreement	Governmental entity party to the Agreement	Date of Signing	Contract Duration	Government funding	Target Population
Home Support Services	Ministry for Health (MFH)	17 May 2013	1 Jan 2013 – 31 Dec 2013	€140,000	Minimum of 85 service-users
		1 Apr 2014	(Extension of previous Agreement from 1 Jan 2014 to 31 Jul 2014)	€81,667 (pro rata for seven months)	
Agreement for the Provision of Home Support and Hostel Services between the Ministry for Energy and Health and the Richmond Foundation	Ministry for Energy and Health (MEH)	1 Dec 2014	1 Aug 2014 – 31 Jul 2017	€420,000 (€140,000 per annum)	

3.1.4 To this end, in line with this audit's objectives, this Chapter discusses:

- i. Contractual shortcomings within this Service Agreement.
- ii. Government's contribution as the Programme's main financing source.
- iii. The fulfillment of contractual obligations through service delivery.
- iv. The attainment of value for money considerations with respect to the provision of this service.

3.2 In some cases, contractual provisions relating to service delivery and payments were not adequately robust

3.2.1 This review highlighted a number of contractual limitations within the 'Home Support' Service Agreement. Table 6 outlines the main limitations depicted in this Service Agreement.

Table 6 : Summary of the main contractual limitations depicted in the 'Home Support' Service Agreement

Contractual Limitations	
1	The Service Agreement does not refer to the minimum number of 'Home Support' interventions.
2	The Contract omits references to payment adjustments if the minimum number of service-users are not enrolled in the Programme.
3	The Agreement does not refer to penalty clauses if service delivery is not provided to the specified levels.

3.2.2 These shortcomings could potentially be detrimental to the management and monitoring of this service by this Agreement's signatories. To this effect, Sections 3.2.3 to 3.2.6 discuss further the contractual limitations within this Agreement and outline their potential impact on service delivery.

The Service Agreement does not refer to the minimum number of 'Home Support' interventions

3.2.3 The 'Home Support' Service Agreement omits references relating to the minimum number of interventions, specifically, in terms of type and frequency of 'Home

Support’ visits to be provided to each service-user. In practice, the Foundation classifies service-users into five levels of interventions depending on the need of each user and provides the relative *‘Home Support’* services accordingly. However, such classification is not supported by documented criteria which outlines the basis of categorization and the determination of service-users’ needs.

- 3.2.4 The situation portrayed in the preceding paragraph does not fully encourage the maintenance of a robust audit trail with respect to the classification of users and their *‘Home Support’* intervention needs. Additionally, the absence of documented criteria outlining users’ intervention needs prohibits the Ministry from appropriately monitoring the expected and actual level of service provided by the Non Governmental Organization (NGO).

The Contract omits references to payment adjustments if the minimum number of service-users are not enrolled in the Programme

- 3.2.5 The Agreement for the provision of the *‘Home Support’* service stipulates that a fixed annual fee of €140,000 is to be paid by MEH to Richmond Foundation. This annual fee is due irrespective of the number of service-users making use of this Agreement. The Contract only stipulates a minimum of 85 users. However, the Agreement omits references to payment adjustments if the Programme’s capacity falls below this level. Similarly, the Agreement does not cap the number of users enrolled or provides for payment adjustment mechanisms to cater for instances where the number of users exceed a predetermined limit.

The Agreement does not refer to penalty clauses if service delivery is not provided to the specified levels

- 3.2.6 The *‘Home Support’* Service Agreement does not include provisions invoking penalties in cases of proven liability, such as in instances where service delivery is not provided to the agreed specifications. In these potential circumstances, seeking redress would be rendered more problematic. Within this context, the Ministry’s available courses of action would be severely limited. A case in point relates to the extent to which the Ministry would be in a position to adjust payment mechanisms in instances of unsatisfactory service delivery from the service provider.

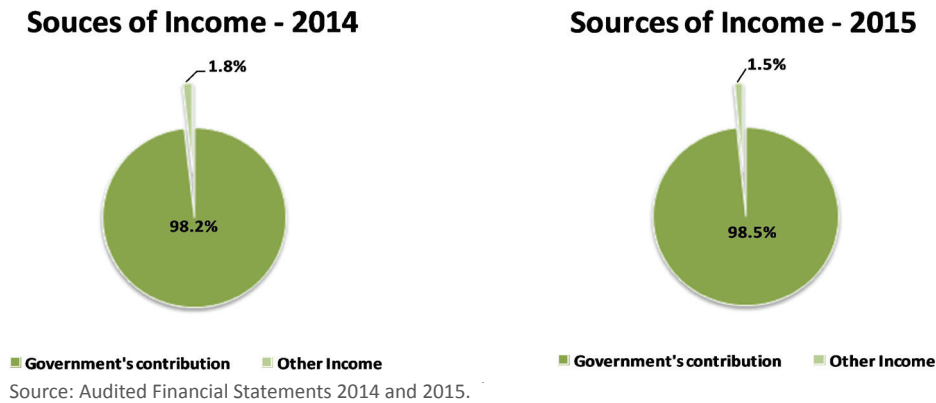
Omission of best practice contractual clauses were noted in the ‘Home Support’ Service Agreement

- 3.2.7 The Agreement under review does not refer to certain provisions deemed to constitute best practice contractual clauses. These omissions mainly relate to contracting parties’ declaration of potential conflict of interests as well as penalties and incentives associated with performance regimes. Appendix I refers to these issues in greater detail.

3.3 Government’s financial allocation was the Programme’s predominant source of income

- 3.3.1 During 2014 and 2015, the main source of income for the *‘Home Support’* service emanated from the Service Agreement between MEH and Richmond Foundation. This financial allocation amounted to €140,000 per annum, which in 2014 and 2015 was equivalent to 98.2 and 98.5 per cent respectively of the Programme’s total generated income. The remaining income constitutes a Richmond Foundation estimate of services provided in kind by volunteers. Figure 1 refers.

Figure 1 : 'Home Support' Service Agreement's sources of income (2014 and 2015)



3.4 Personal emoluments constitute the Programme's main cost element

3.4.1 In 2014 and 2015, the total cost for running the 'Home Support' service amounted to €145,916 and €181,241. Table 7 refers.

Table 7 : 'Home Support' Service Agreement's sources of expenditure (2014 and 2015)

Expenditure	2014	2015
	(€)	(€)
Direct expenditure	121,881	150,078
- Direct salaries and wages	111,698	131,981
- Other direct expenditure	10,183	18,097
Overheads	24,035	31,163
Total	145,916	181,241

Source: Audited Financial Statements 2014 and 2015.

3.4.2 Salaries and wages of the six employed staff (composed of one coordinator, four 'Home Support' workers graduated in psychology and one 'Home Support' aide) within the 'Home Support' service composed the major cost line item of direct expenses. In 2014 and 2015, these amounted to €111,698 and €131,981, which is also equivalent to 92 and 88 per cent⁸ of this Programme's total direct expenditure.

3.5 In 2015, operational deficit associated with this Programme increased substantially when compared to the previous year

3.5.1 Figure 1 and Table 7 show that the Programme's finances were not adequate to cover the operational expenses related to the 'Home Support' service. In 2014 and 2015, the Programme accrued an operational deficit of €3,417 and €39,046 respectively. Table 8 refers.

Table 8 : 'Home Support' Service Agreement's operational deficit (2014 and 2015)

	2014	2015
	(€)	(€)
Total Income	142,499	142,195
Total Expenditure	145,916	181,241
Deficit	(3,417)	(39,046)

Source: Audited Financial Statements 2014 and 2015.

⁸ This amount excludes salaries and wages related to the Head Office that were apportioned under Overheads.

3.5.2 The increase registered in 2015 over the previous year's Programme operational deficit was mainly attributable to the increase of €20,283 in expenditure related to salaries and wages. These circumstances mainly materialized through the engagement of casual staff to mitigate the impact from staff turnover as well as salaries and wages increases pertaining to Richmond Foundation's payroll costs. Moreover, during the same period, general overheads relating to this service increased from €24,035 to €31,163.

3.6 The 'Home Support' service consistently operated above the minimum service-users threshold and fulfilled obligatory KPIs

3.6.1 The National Audit Office's (NAO's) assessment of service delivery during 2014 and 2015 mainly focused on ascertaining that the number of users enrolled in the Programme exceeded the minimum set in the Agreement, that the number of interventions per user adhered to the user classification level and that the Key Performance Indicators (KPIs) outlined in the Agreement were fulfilled. To varying degrees, reports drawn on this service by the Foundation itself were the primary source of service output related data. The evaluation of service delivery also encompassed assessing the extent to which generally accepted practices were followed. This was mainly attained through sourcing information from reports compiled by other national regulatory and monitoring bodies.

Number of users enrolled in the Programme consistently exceeded the minimum set in the Agreement

3.6.2 During the two years under review, the Programme's enrollment consistently exceeded the contractually stipulated minimum of 85 service-users. Table 9 outlines that during this period, the number of service-users assisted by Richmond Foundation through this Service Agreement ranged from 92 to 105 users.

Table 9 : Number of service-users benefiting from the 'Home Support' service (2014 and 2015)

Year	January – March	April – June	July – September	October – December
2014	92	105	102	102
2015	100	101	98	96

Source: 'Home Support' quarterly reports prepared by Richmond Foundation.

The number of interventions provided generally reflected the NGO's internal policies

3.6.3 Subject to the qualifications noted in Section 3.2, Richmond Foundation delivered the set minimum number of 'Home Support' interventions in accordance to its internal policies. These levels, although not specifically defined in the Agreement have been created internally by the Foundation to determine the number of interventions to be provided to each service-user. These interventions, which may include home visits, office visits or other necessary support (such as accompanying service-users to hospital visits as well as providing guidance in domestic daily living tasks) to empower clients in their personal recovery Programme. Table 10 refers.

Table 10 : Variance between expected and actual number of visits (2014 and 2015)

Year	Average number of service-users	Expected number of visits	Actual number of visits	Variance
2014	100	2,811	2,669	(142)
2015	95	2,530	2,359	(171)

Source: 'Home Support' monthly reports prepared by Richmond Foundation.

3.6.4 During the two years under review, a marginal negative variance of 142 and 171 intervention visits was recorded. During discussions with the Foundation, it was outlined that this variance is mainly attributable to occasions where either service-users are hospitalized or other instances where users, for personal reasons, refuse a particular intervention visit.

3.6.5 In addition, it is to be highlighted that the resulting negative variance between the minimum expected and the actual number of 'Home Support' interventions delivered in 2015 does not constitute a breach of contractual provisions since a schedule outlining the minimum number of interventions for each of the five intervention categories is omitted from the Contract.

Obligatory 'Home Support' service KPIs were generally fulfilled

3.6.6 The Agreement regulating the 'Home Support' Programme lists a range of KPIs relating to service delivery. These indicators relate to Programme inputs and outcomes. Generally, the NGO attained these performance indicators. Exceptions in this regard related to the following:

- i. KPI concerning the optimal efficiency and financial performance target whereby financial operations were to be retained within 0.5 per cent of year to date operating expenses was not attained. In 2014 and 2015, operating expenses increased by 2.5 and 23 per cent respectively when compared to the previous year. These figures imply that during the two years under review, the NGO experienced a financial deficit of €3,417 (2.4 per cent of total Programme revenue) and €39,046 (27 per cent of total Programme revenue) respectively. The NGO indicated that in part, this deficit resulted as a reflection that Government's financial allocation with respect to the 'Home Support' service is not subject to Retail Price Index adjustments.
- ii. This review also noted instances where the Foundation did not maintain readily available information to determine the attainment or otherwise of certain KPIs. Towards this end, this audit could not determine service-users' average number of days in each level of intervention and the proportion of re-admissions to an inpatient psychiatric facility within 30 days of discharge or being released on leave. Furthermore, the NGO does not document this information in the quarterly reports sent to Ministry.

3.6.7 With the exception of the two issues noted above, it is reiterated that most of the remaining KPIs as stipulated in the Agreement were, to a general extent, attained and no other significant concerns were observed.

Service delivery adhered to generally accepted practices criteria

3.6.8 Evaluating service delivery associated with this Programme also entailed assessing the extent to which generally accepted practices were complied with. To this end, the NAO adopted a number of criteria, mainly certification of the NGO's Quality Management Systems (QMS), complaints received with respect to this service and user's satisfaction survey reports compiled by the Foundation.

- i. **Quality Management Systems with respect to the 'Home Support' service were deemed appropriate by the certifying agency**
During 2015, the Malta Competition and Consumer Affairs Authority (MCCAA) audited the 'Home Support' service for certification purposes in conjunction with the International Organization for Standardization (ISO). According to the

certifying agency, Richmond Foundation's QMS were well implemented and maintained.

ii. Only one complaint of a trivial nature was registered during 2014 and 2015

There were no significant complaints registered with respect to the 'Home Support' service. This review came across one complaint, which was of a trivial operational nature. The matter was immediately resolved by the NGO. Moreover, MEH and the Office of the Commissioner for Mental Health confirmed that they had not received any complaints pertaining to the period under review relating to this service.

iii. Service-users gave an overall positive satisfaction rate with respect to the 'Home Support' service

On a regular basis, Richmond Foundation carries out evaluation exercises to determine service-users' satisfaction levels. In 2014, an overall satisfaction rate of 90 per cent was achieved whereas, in 2015, a satisfaction rate of 87.5 per cent was recorded. The surveys referred to herein solicited feedback from eight and 20 randomly selected participants out of the 102 and 96 service-users who availed themselves of the 'Home Support' Programme during 2014 and 2015.

3.7 The 'Home Support' Service Agreement adhered to value for money considerations

3.7.1 Similarly to the analysis of the previous Agreement, the discussion within this Section will mainly focus on the effectiveness and the economical aspect of the 'Home Support' Service Agreement. For the purpose of this review, the effectiveness criteria related to the quality of the service offered. On the other hand, economic considerations encompassed evaluating the degree of reasonableness of costs incurred by the NGO with respect to this Programme. Additionally, determining the Programme's value for money also entailed the undertaking of comparing Programme costs with a similar service, namely the 'Outreach Programme', provided by Mount Carmel Hospital (MCH).

The 'Home Support' Programme generally proved to be effective in terms of outputs and outcomes

3.7.2 In line with the discussion within this Chapter, the 'Home Support' Programme was deemed to be effective since it fulfilled a number of output and outcome criteria. To this end, during 2014 and 2015 the number of users enrolled in the Programme exceeded the minimum set in the Agreement, the number of interventions per user generally complied with the Foundation's internal policies and contractually obligatory KPIs were mostly attained. Additionally, the NGO's management systems are ISO certified as well as both the MEH and the Commissioner for Mental Health remarked that they are generally satisfied with services provided by Richmond Foundation. Moreover, through a survey, service-users also expressed high satisfaction levels with respect to services provided.

The 'Home Support' Programme generally satisfied the economic criteria

3.7.3 Evaluating the extent to which the 'Home Support' Programme embraced economic considerations entailed evaluating the degree of reasonableness of the main costs element, namely staff salaries incurred by the NGO with respect to service delivery. Economic considerations were also evaluated through benchmarking the cost of the 'Home Support' service with the 'Outreach Programme' provided by MCH.

As the main cost element, personal emoluments expenditure is deemed reasonable

3.7.4 Salaries and wages constituted 92 and 88 per cent of the total direct operational expenditure related to the 'Home Support' service during 2014 and 2015 respectively. Within the two years under review, six employees were employed within the NGO's 'Home Support' department – namely one coordinator, four 'Home Support' workers all graduated in psychology and one 'Home Support' aide. This review noted that, to a general extent, the costs incurred in relation to this cost line item were all justified when comparing the payroll costs related to the six employed staff within the 'Home Support' department to the number of interventions provided as well as when considering the preparatory and administrative time involved. Furthermore, the average payroll cost of these employees compared favourable when benchmarked to the payroll costs of similar government employees.

'Home Support' service costs compare favourably with the 'Outreach Programme' provided by MCH

3.7.5 The cost per intervention provided through the 'Home Support' service is considered as favourable to Government when comparing this rate with the actual costs of the 'Outreach Programme' delivered by MCH. The latter also aims to provide support to encourage an independent lifestyle. Despite the similarity of both Programmes' objectives, benchmarking the 'Home Support' service with the 'Outreach Programme', provided by Richmond Foundation and MCH respectively, is subject to some limitations, which mainly arise as the latter Programme tends to provide more in depth intervention service. Nevertheless, a cost comparison between the two Programmes provides an adequately robust indicator of the extent to which the Richmond Foundation Programme constitutes value for money.

3.7.6 The benchmarking exercise, portrayed in Table 11, compares intervention costs between the two Programmes on the basis of two scenarios. The first comparison benchmarks Richmond Foundation's intervention cost on the basis of the Programme's total expenditure. The second comparison gauges the Foundation's intervention costs on the basis of the grant received through the Service Agreement.

Table 11 : Benchmarking the 'Home Support' service with the 'Outreach Programme' intervention costs (2014 and 2015)

	'Home Support' service		'Outreach Programme'	
	2014	2015	2014	2015
Total number of interventions	2,669	2,359	5,364	7,635
Average cost per intervention (based on Programme's total expenditure)	€54.67	€76.83	€93.99	€101.31

3.7.7 Table 11 shows a significant cost variance per intervention between the two Programmes providing the basis for a comparative analysis. While acknowledging that the 'Outreach Programme' tends to provide a more in depth intervention service, the cost variances between the two Programmes amounts to around 72 and 32 per cent during the years under review. This significant cost variance tends to illustrate that the costs of providing interventions through the Richmond Foundation Programme is indicative that it is appropriately operating with due economic diligence. This statement is also supported through the higher number of interventions provided under the MCH Programme, where one would expect that unit cost would benefit from economies of scale opportunities.

3.8 Conclusion

- 3.8.1 To a general extent, the *'Home Support'* service adhered to contractual obligations as stipulated in the Agreement. Information gathered during the course of this audit from different stakeholders outlined that the service delivered was appropriate when compared to general accepted practices. Furthermore, the *'Home Support'* service was deemed to adhere to value for money considerations.
- 3.8.2 This Chapter, however, highlighted some minor contractual shortcomings in the Agreement between MEH and Richmond Foundation. These shortcomings particularly related to the omission of contractual provisions specifying the number of interventions to be provided to each service-user as well as the payment adjustments if, potentially, the minimum number of users is not enrolled in the Programme. These concerns encroach on the principle of transparency and the omission or unclear provisions in this regard could prove problematic to resolve in cases of litigation.
- 3.8.3 The following Chapter of this Report will provide a detailed overview of the *'Kids In Development'* Service Agreement currently managed by the Ministry for Family and Social Solidarity (MFSS).

Chapter 4
Service Agreement for
the running of the '*Kids In
Development*' Programme

Chapter 4 – Service Agreement for the running of the ‘Kids In Development’ Programme

4.1 Introduction

4.1.1 This Chapter reviews the *Kids In Development (KIDs)* Service Agreement entered into between the Ministry for Family and Social Solidarity (MFSS), formerly known as the Ministry for Social Policy (MSOC), and Richmond Foundation. This residential therapeutic Programme caters for nine children, aged between five and nine years, experiencing severe emotional and behavioural difficulties. *Agenzija Appoġġ*, following a care, court order as well as parents’ or guardians’ voluntary requests, is responsible for referrals to the *KIDs Programme*. The *KIDs Programme* comprises accommodation, food and educational activities as well as social and psychological support.

4.1.2 In line with the audit objectives, this Chapter discusses the following:

- i. Contractual shortcomings elicited in this Service Agreement.
- ii. The Programme’s high dependence on Government’s financial contribution.
- iii. Salaries and wages as the primary source of expenditure.
- iv. The Contract’s adherence to service delivery requisites and other generally accepted practices.
- v. The Programme’s value for money considerations.

4.2 The *KIDs Agreement* was subject to some contractual shortcomings

4.2.1 Richmond Foundation remain responsible for the implementation and running of the ‘*Kids In Development*’ Programme despite that the last Contract Extension, valid for a period of three years, has expired in December 2015. This Contract Extension was preceded by an Agreement between the Non Governmental Organization (NGO) and the former MSOC in January 2009. The former Ministry for Education, Employment and the Family (MEEF) extended this Agreement for a period of three years until end of 2012. Moreover, during December 2012 the former Ministry for Justice, Dialogue and the Family (MJDF) renewed the Agreement again for a further period of three years up to 31 December 2015.

Agreements and relative extensions relating to KIDs Programme have all followed the contractual commencement date

4.2.2 Table 12 shows that at least since 2009, the general tendency was to sign Agreements or Contract extension significantly after their commencement date. Table 12 provides a chronological outline of Agreements and respective extensions signed between Governmental entities and the Richmond Foundation.

Table 12 : KIDs Agreement

Governmental entity party to the Agreement	Date of signing	Contract duration	Government funding (per annum)	Target population	Objective
Ministry for Social Policy (MSOC)	14 Jan 2009	1 Jan 2008 - 31 Dec 2009	€ 233,000	Nine children	The provision of a residential therapeutic Programme
Ministry of Education, Employment and the Family (MEEF)	11 Feb 2011 (Contract extension)	1 Jan 2010 - 31 Dec 2012	€ 263,000		
Ministry for Justice, Dialogue and the Family (MJDF)	31 Dec 2012 (Contract extension)	1 Jan 2013 - 31 Dec 2015	€ 263,000		

4.2.3 Table 12 shows that Governmental Ministries, namely MSOC, MEEF and MJDF, signed Agreements or their respective extensions with Richmond Foundation at least one year following the commencement of Agreement. Furthermore, a similar situation now prevails whereby Richmond is delivering its services even though the latest Contract Extension expired at end 2015. The situation of contractual vacuums is not deemed to appropriately safeguard signatories' and beneficiaries interests.

Contractual provisions do not stipulate minimum staffing levels

4.2.4 This Agreement does not stipulate the optimal staffing levels required to operate this Programme, which caters for a maximum of nine children. This situation is deemed more critical particularly in view that, to-date, national standards do not define the optimal caring staff to service-users ratios. Furthermore, the minimum staff qualifications and training required to ensure the effective delivery of this Programme, are not specified in the Contract. The foregoing deviates from the principle of comprehensively defining service delivery, which consequently renders its monitoring by the contracting authority more problematic.

The KIDs Agreement omitted a number of best practice contractual clauses

4.2.5 This review also noted that the *KIDs Agreement* does not include a number of best practice contractual clauses intended to mitigate operational risks. The absence of such clauses is potentially detrimental to Agreement signatories as well as to the service-users themselves. Appendix I provides an outline of best practice contractual clauses, some of which were omitted from the *KIDs Agreement*. Through interviews, MFSS confirmed that future agreements will be addressing most of the contractual issues noted hereunder:

- i. Contracting parties' declaration of potential conflict of interests.
- ii. Penalties and incentives associated with performance regimes.
- iii. Insurance relating to the premises as well as human resources and conditions governing subcontracted work.

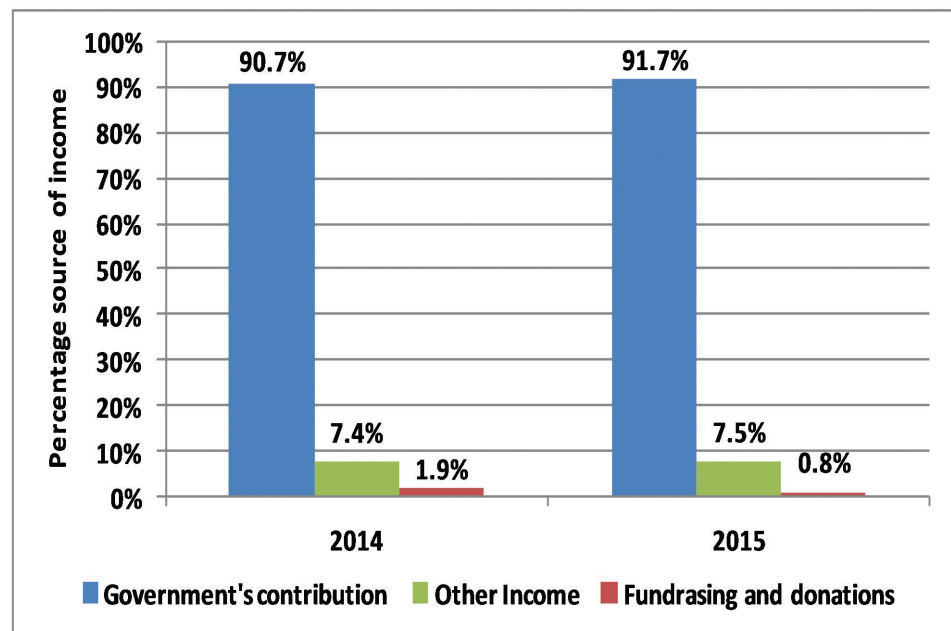
- iv. Confidentiality and data protection clauses, which safeguard Programme users' personal and clinical information maintained by the service provider.
- v. Transition arrangements intended to ensure service continuity in the event of Contract dissolution.

4.3 This Programme is heavily dependent on Government's financial contribution

4.3.1 The *KIDs Programme's* primary financing source during 2014 and 2015 emanated through the Agreement between MFSS and Richmond Foundation. Public funds expended through this Agreement during the years in question amounted to €263,000 per annum, which is equivalent to 91 and 92 per cent of this Programmes' generated income for 2014 and 2015 respectively.

4.3.2 The remaining income was mainly generated through Richmond Foundation fundraising activities, donations and other funds, including the Malta Community Chest Fund. Figure 2 refers.

Figure 2 : *KIDs Agreement's* sources of income (2014 and 2015)



Source: Audited Financial Statements 2014 and 2015.

4.3.3 Apart from the yearly allocation of €263,000 provided by MFSS, the *KIDs Programme* benefitted from other contributions in kind. A case in point relates to the delivery of services through premises at the *'Jesus of Nazareth Institute'* at Zejtun, where through an Agreement between the Archdiocese of Malta and Government, the former made available these premises for the exclusive use of this residential therapeutic Programme. The NGO is responsible to manage these premises and to ensure that they are maintained in a good state of repair. Any maintenance works and repairs (both ordinary and extraordinary) are the responsibility of the Foundation.

4.4 Salaries and wages were the primary source of direct expenditure for the *KIDs Agreement*

4.4.1 The total cost for the running of the *KIDs Agreement* amounted to €285,587 and €281,700 during 2014 and 2015 respectively. During the same period, general

overheads relating to this Programme amounted to around 13 and 12 per cent of the total Programme expenditure. Table 13 refers.

Table 13 : KIDs Agreement's sources of expenditure (2014 and 2015)

Expenditure	2014	2015
	(€)	(€)
Direct expenditure	247,818	241,371
- Richmond Foundation staff	166,052	164,258
- Subcontracted workers	37,250	18,438
- Other expenditure	44,516	58,675
Overheads	37,769	40,329
Total	285,587	281,700

Source: Audited Financial Statements 2014 and 2015.

4.4.2 Salaries and wages of Richmond Foundation employed staff, as well as other subcontracted workers employed by the NGO to run this Programme, were the main direct cost elements of the *KIDs Programme's* expenditure. To this end, the NGO expends €203,302 and €182,696, which constitute 82 and 76 per cent of the total direct expenditure incurred during 2014 and 2015 respectively.

4.5 Service delivery satisfied generally accepted practices criteria

4.5.1 During 2014 and 2015, the delivery of services by the Foundation with respect to the *KIDs Programme* adhered to generally accepted practices within the specialized field. In the absence of contractual provisions, which comprehensively define the services pertaining to this Programme, the National Audit Office (NAO) established a number of criteria against which to assess service delivery. The service delivery criteria adopted mainly related to generally accepted requisites for similar Programmes. Such criteria included the following:

i. Licensing

The Department for Health Care Standards issued the appropriate license which enable Richmond Foundation to operate premises within the '*Jesus of Nazareth Institute*' at Zejtun as a residential Mental Health Home. This license is issued in terms of Section 98(1) of the Medical and Kindred Professions Ordinance, the Mental Health Act and other laws and regulations. On a yearly basis, the Department inspects the premises prior to the issuance of this license. During the last inspection, carried out in November 2014, no significant concerns were identified.

ii. Quality Management Systems

Richmond Foundation is a holder of and operates a Quality Management System (QMS) that complies with the requirements of the International Organization for Standardization (ISO). To this end, the Malta Competition and Consumer Affairs Authority (MCCAA) certified the current registration of this QMS, which expires on 31 October 2016.

iii. Service delivery issues raised by the contracting authority (MFSS)

In its role as contracting authority, the MFSS did not raise issues pertaining to the quality of services provided by the NGO. An issue of concern, which was however raised by the MFSS in 2015, related to instances where this Programme was operating significantly below its capacity levels. This issue is discussed in further detail in Section 4.6.

iv. Regulatory reviews

Discussions with the Commissioner for Mental Health confirmed that regulatory reviews carried out by the latter's office, generally, proved satisfactory.

v. Complaints lodged

Richmond Foundation did not receive any complaints regarding service delivery of the *KIDs Programme*. Similarly, the Office of the Commissioner for Mental Health, *Aġenzija Appoġġ* and MFSS – as the contracting authority – did not receive any complaints regarding the services offered by this NGO for services rendered during 2014 and 2015.

4.6 During 2014 and 2015, the *KIDs Programme* was operating significantly below its full capacity

4.6.1 During 2014 and 2015, there were instances where the Programme was operating significantly below its full capacity, even though the Programme was financed through a fixed Government contribution of €263,000 annually. In 2014, the average capacity rate for this Programme was of three persons, which in terms of annual bed night's availability constituted around 31 per cent of the Programme's capacity. This implies that during this period the average daily rate per person amounted to €258.

4.6.2 In 2015, the average number of users enrolled in the Programme was six, which translates to around 68 per cent of the Programme's annual capacity. The foregoing implies an average daily rate of €110 per person per night. Table 14 refers.

Table 14 : *KIDs Programme's* user enrollment rate and average pppn (2014 and 2015)

Year	Total number of bed nights available per year	Number of bed nights utilized	% capacity	Average pppn
2014	3,285	1,020	31	€258
2015	3,285	2,224	68	€110
Assuming full capacity	3,285	3,285	100	€80

Source: Richmond Foundation and *Aġenzija Appoġġ*.

4.6.3 Table 14 shows the effect on unit costs on a per person per night (pppn) basis in circumstances where the *KIDs Programme* was operating below its nine person capacity during 2014 and 2015. It is to be noted that at one point, in July 2014, only one child was benefitting from this Agreement. Documentation reviewed by the NAO shows that MFSS, as the contracting authority, sought explanation from Richmond Foundation as to the circumstances influencing the Programme's low intake. On the other hand, other documentation shows that the NGO kept *Aġenzija Appoġġ*, the Programme's referral body, abreast of vacancies within the Programme.

4.6.4 *Aġenzija Appoġġ* contended that during the period under consideration, the demand for the *KIDs Programme* was low. However, regardless of the low demand, in accordance with contractual provisions, Governmental entities were still obliged to incur the maximum fixed annual charge of €263,000, as the Agreement does not provide for payments to be adjusted according to the number of service-users in the Programme. The circumstances discussed within this Section further reiterates the anomalous situations brought about by the fixed payment clause within this Contract. From the service provider's point of view, the inclusion of such a clause enables the NGO to recover its fixed costs, which are mainly related to payroll expenditure, in the eventuality of low user uptake. However, in cases of extremely low demand, this fixed payment clause works against the contracting agency as highlighted by the unit pricing shown in Table 14.

4.7 When operating at its full capacity, the *KIDs Agreement* constitutes value for money

4.7.1 This Section discusses value for money (VfM) considerations with respect to the *KIDs Agreement* between MFSS and Richmond Foundation. The ensuing discussion mainly focuses on the effectiveness and the economical aspects of this Programme.

NAO established criteria on Programme effectiveness has been fulfilled

4.7.2 For the purpose of this review, effectiveness criteria related to the quality of the services provided. To this end, the criteria adopted were mainly based on the quality accreditation of services, the level of complaints received as well as regulatory reviews undertaken by both the contracting authority and other national regulatory and monitoring bodies. Reference to the satisfactory delivery of these elements has been made in Section 4.5. Consequently, the effectiveness criteria noted within this paragraph are deemed to have been fulfilled.

If operated at or near its full capacity, the resultant average daily rate is deemed reasonable

4.7.3 The VfM assessment of the *KIDs Programme* also considered its economic aspect from the contracting authority's point of view through three main criteria. The first assessment related to the reasonableness of the costs incurred by Governmental entities with respect to this Programme. Secondly, this review evaluated the reasonableness of the major cost elements comprised by this Programme. Thirdly, where possible, cost of the service delivered was benchmarked with the expenditure incurred by other governmental entities to provide directly or procure similar services from other organizations. This approach, however, is subject to a number of limitations brought about by the variances in service provision as well as the clinical and environmental context within which services are provided by different organizations. Nevertheless, the comparative evaluations are deemed appropriately indicative, particularly when triangulated with the resultant assessment pertaining to the first criteria discussed herein.

PPPN rates were up to three times higher than if the Programme was operating at full capacity

4.7.4 During 2014 and 2015, Government incurred annual charges of €263,000, which equate to an average of €258 and €110 pppn. These costs are significantly higher than if the Programme was operating at its full capacity of nine persons when the average daily costs to Government would equate to €80 per person. These circumstances were brought about by low Programme demand and fixed Programme charges clauses within the Agreement.

4.7.5 From a VfM perspective, and within the context of this Programme, pppn rates constitute a preferable base to calculate charges due by Government. However, the risk exists that Programme sustainability may be compromised if the payment structure or other contractual provisions do not appropriately cater for the potentiality of sustained periods of low demand. To ensure Programme sustainability, the service provider would still need to recover fixed costs, mostly payroll expenses, associated with Programme delivery.

Personal emoluments costs incurred are deemed reasonable

4.7.6 Wages and salaries constitute the main cost element associated with the delivery of the *KIDs Programme*. In the absence of contractual provisions relating to staff, for the purpose of this review, the NAO devised assessment criteria to determine the extent

to which personnel costs expended on this Programme were justified. To this end, staff costs were evaluated through staff to users' ratio, staff qualifications and staff remuneration. The following issues materialize:

- i. Personal emoluments costs incurred by Richmond Foundation equate to two members of staff on duty during the mornings as well as nights, and three persons during the afternoons when most users would be returning from school. Such staffing levels, when compared to similar posts within the public service, are deemed reasonable when the Programme is operating near or at its full capacity of nine persons. However, for a sustained period during 2014 and 2015 this was not the case as the Programme was operating significantly below capacity and consequently, the staffing levels deployed would have surpassed Programme's requirements.
- ii. The *KIDs Programme* is mainly tailored for children who have experienced serious disruptions in their early childhood and who have been severely affected by early trauma. Consequently, their care entails significant input by professional staff. To this end, six out of the 13 persons engaged by Richmond Foundation to provide services within the *KIDs Programme* have at least attained a degree certification, in social and caring professions.

When operating at its full capacity, Programme's unit rates compare favourably with similar services provided by other entities

4.7.7 Evaluating the extent of value for money of costs incurred by Government in procuring the *KIDs Programme* also entailed benchmarking exercises. To this end, the *KIDs Programme* costs were compared with the cost incurred by other entities in the delivery of a similar service. Towards this end, the average daily rate per service-user for the *KIDs Programme* was compared to the cost of the 'Young People's Unit' within Mount Carmel Hospital (MCH) and the cost incurred in 'Jeanne Antide and Fejda Homes'. Such an exercise, however, is subject to a degree of comparative limitations, namely emanating from the different cohort of Programme users, as well as the environment and context within which different organizations operate. Nevertheless, when the results of such an exercise are triangulated with other approaches they can be considered as appropriately indicative. Against this background, the following refers:

- i. When operating at its full capacity, it transpires that the *KIDs Programme's* unit rates compare favourably with those incurred by Government with respect to similar service provided by 'Jeanne Antide and Fejda Homes'. A recent NAO audit estimated costs on a pppn basis at €94.
- ii. On the other hand, Mental Health Services (MHS) within MCH, estimate that the costs associated with the 'Young People's Unit', amount to around €373 pppn. In this case, the high overhead costs associated with institutional care inflate unit costs. Within this context, when it operates the *KIDs Programme* near or at its full capacity, Richmond Foundation are providing services at a significantly lower cost than would be the case if such care was offered through MCH.

4.8 Conclusion

- 4.8.1 Although the Contract does not comprehensively define service provision with respect to the *KIDs Programme*, review undertaken by this Office with respect to this Agreement noted that the service provided by Richmond Foundation with regards to this Programme is of the appropriate level of quality and no significant concerns were noted.
- 4.8.2 However, during the period under review, the *KIDs Programme* was not always operating at its full capacity even though the Programme was financed through a fixed annual Government contribution. In certain instances, this implied that a high daily average rate per service-user was being paid by MFSS to the NGO. The contractual provisions in place do not appropriately safeguard government interests in cases of low Programme capacity.
- 4.8.3 The next Chapter of this Report discusses the Service Agreement regulating the ‘*Villa Chelsea*’ Programme.

Chapter 5

Service Agreement for the running of the *'Villa Chelsea'* Programme

Chapter 5 – Service Agreement for the running of the ‘Villa Chelsea’ Programme

5.1 Introduction

5.1.1 The ‘*Villa Chelsea Rehabilitation Programme and Respite*’⁹ Service Agreement provides a supportive therapeutic Programme to persons aged between 17 and 65 who suffer from mental health problems. The overall aim of the project is to provide a residential or a day-community based Programme aimed to promote the mental wellbeing, address the prevention of mental health problems and provide support for a good quality of life.

5.1.2 The residential Programme, which is the main Programme offered through this Home, is spread over one year and provides a rehabilitation Programme for twelve service-users to help them resettle back into the community. The day-community based Programme caters for a further twelve individuals and assists these persons to live an independent life in the community.¹⁰ In addition to these services, if there are vacancies within the residential Programme, Richmond Foundation offers short-term planned respite care for persons suffering from mental health problems.

5.1.3 During 2014 and 2015, the period within the scope of this audit, two Service Agreements regulated the running of the ‘*Villa Chelsea*’ Programme. In February 2012, the Non Governmental Organization Project Selection Committee (NGOPSC) within the Ministry for Justice, Dialogue and the Family (MJDF) signed a three-year Agreement with Richmond Foundation applicable from 1 January 2012 to 31 December 2014. In 2015, the NGOPSC’s responsibilities fell within the Ministry for Social Dialogue, Consumer Affairs and Civil Liberties (MSDC) and a new one-year Agreement was signed effective from 1 January 2015 to 31 December 2015. Table 15 refers.

5.1.4 Table 15 shows that at least since 2012, Governmental Ministries, namely MJDF and MSDC, signed Agreements with Richmond Foundation following the commencement of service provision by the Non Governmental Organization (NGO). In 2015, the Agreement was signed around nine months following its actual commencement date. This situation of contractual vacuums is not deemed to appropriately safeguard signatories’ and beneficiaries’ interests.

⁹ In this Report, the ‘*Villa Chelsea Programme and Respite*’ Service Agreement will be referred to as ‘*Villa Chelsea*’ Agreement.

¹⁰ It is to be noted that the capacity of 12 residential and 12 day users is not stipulated in the Agreement but was elicited through discussions with Richmond Foundation.

Table 15 : 'Villa Chelsea' Service Agreement

Governmental entity party to the Agreement	Date of signing	Contract duration	Government funding (per annum)	Target population
Ministry for Justice, Dialogue and the Family (MJDF)	17 Feb 2012	1 Jan 2012 - 31 Dec 2014	€165,000 (adjusted to €170,000 in 2014)	12 Residential users and 12 Day users (not stipulated in Agreement but determined through discussions with Richmond Foundation)
Ministry for Social Dialogue, Consumer Affairs and Civil Liberties (MSDC)	9 Sep 2015	1 Jan 2015 - 31 Dec 2015	€ 170,000	

5.1.5 To this end, in line with this audit's objectives, this Chapter outlined how:

- i. A number of contractual shortcomings characterized the 'Villa Chelsea' Agreement.
- ii. The Programme is heavily dependent on Government's financial allocation.
- iii. Audited Financial Statements do not appropriately disclose service-users' contributions.
- iv. Salaries and wages were the primary source of direct expenditure.
- v. In 2014 and 2015, the Programme's low operational capacity prohibited the attainment of contractual output targets.
- vi. The quality of service provided in the 'Villa Chelsea' Programme adhered to generally accepted practices.
- vii. The 'Villa Chelsea' Programme adhered to value for money considerations.

5.2 The 'Villa Chelsea' Agreements contained a number of contractual shortcomings

5.2.1 Similar to other Agreements signed between Governmental Ministries and Richmond Foundation, a number of contractual shortcomings were noticed in the 'Villa Chelsea' Agreement. In some instances, which will be further outlined below, the Contract did not define service provision comprehensively. Within this context, contractual provisions in place do not always safeguard Government's as well as service-users' interests. Such limitations could potentially impinge upon the expected service delivery of this Agreement. Table 16 outlines the main contractual limitations of this Service Agreement.

Table 16 : Summary of the main contractual limitations depicted in the 'Villa Chelsea' Agreement

	Contractual Limitation
1	Agreement does not stipulate the number of service-users to benefit from this Contract.
2	Agreement does not stipulate service provider's qualifications and training to be provided to staff.
3	Agreement refers to a fixed yearly payment and not a daily rate per service-user.
4	Agreement does not stipulate admittance criteria of service-users.
5	Agreement does not make reference to fees due to Richmond Foundation by service-users.

5.2.2 Sections 5.2.3 to 5.2.7 of this Report will provide a detailed explanation of these contractual limitations as indicated in Table 16 and will outline their potential impact on the service delivery of the 'Villa Chelsea' Agreement.

Service Agreement does not stipulate the number of service-users to benefit from this Contract

5.2.3 This Service Agreement for the running of the 'Villa Chelsea' Home does not stipulate the number of service-users that are to benefit from this Contract. During discussions undertaken with Richmond Foundation, it was stated that the Home caters for a capacity of 12 residential users and a further 12 day users. In addition, as stipulated in the Agreement, should the number of residential day users be below 12, the Home also provides the possibility of a short-term planned respite service. The lack of clear definitions in the Agreement with respect to the total Home capacity could potentially lead to a misunderstanding between the two contracting parties in the expected level of output delivery.

Agreement does not stipulate service provider's qualifications and training to be provided to staff

5.2.4 The 'Villa Chelsea' Agreement omits contractual clauses relating to service provider's qualifications as well as the level of training to be provided to staff operating this service. The omission of such provisions could potentially impinge on the expected level of service to be provided by the NGO.

Agreement refers to a fixed yearly payment and not a daily rate per service-user

5.2.5 The Agreement in place for the running of 'Villa Chelsea' stipulates that a fixed yearly payment of €170,000 is to be paid to Richmond Foundation. This full amount is paid irrespective of the number of residential, day and respite users making use of this rehabilitation Programme. In such a situation, the Government Ministry responsible for this Service Agreement is not in a position to effect payment according to the amount of service-users actually making use of the service provided by 'Villa Chelsea'. However, the counter argument for this is that contractual provisions should ensure that the NGO covers its fixed costs in cases of low demand.

Agreement does not stipulate admittance criteria of service-users

5.2.6 Contractual provisions within the 'Villa Chelsea' Agreement do not clearly stipulate the admittance criteria of service-users within this rehabilitation Programme. The Contract only indicates that referrals of clients made by Government through its agencies and departments are to be accepted. In practice, however, in accordance to a verbal agreement between the two parties, the admission process is regulated through a Richmond Foundation policy document, which, however, does not form part of the Contract itself. Apart from transparency issues, this situation could lead to a diverse opinion between the two contracting parties upon potential user's eligibility for this service.

Agreement does not make reference to fees due to Richmond Foundation by service-users

5.2.7 The 'Villa Chelsea' Agreement omits contractual provisions with respect to financial contributions made by service-users. The Service Agreement only refers to the financial allocation of €170,000, which is to be paid by MSDC (or by the Ministry for Family and Social Solidarity [MFSS] in 2014) for the running of this Programme. During the course of this audit, however, it was noted that residential users are requested to pay €130

per month whereas day users are requested to pay €70 per month. The Foundation contended that in reality not all residents are actually paying this contribution due to personal financial difficulties. The lack of appropriate contractual provisions with respect to contributions made by service-users could potentially create transparency as well as governance issues with respect to the traceability of fees received.

The ‘Villa Chelsea’ Service Agreement omits a number of best practice contractual clauses

5.2.8 This audit has also noted that the ‘Villa Chelsea’ Agreement, omitted a number of best practice contractual clauses. Table 17 provides a summary of the five main best practice clauses that were omitted from this Service Agreement.

Table 17 : Omission of best practice contractual clauses in the ‘Villa Chelsea’ Agreement

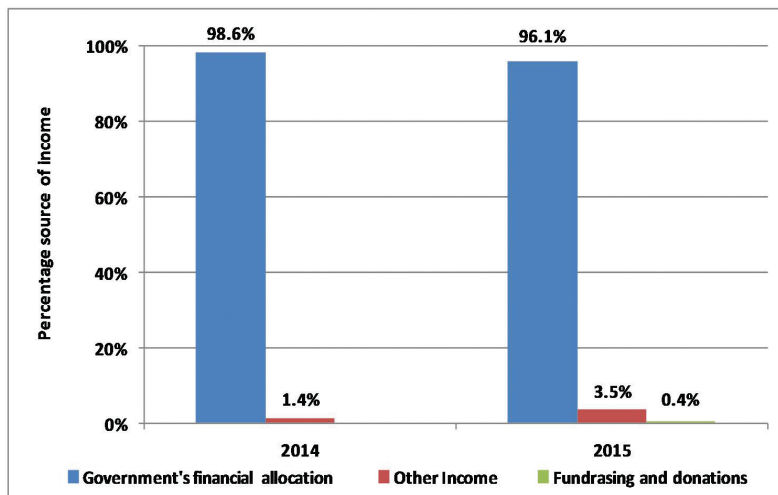
	Omitted best practice contractual clause
1	Clauses relating to conflict of interest.
2	Clauses relating to insurance.
3	Clauses relating to penalties and incentives.
4	Clauses relating to subcontracting.
5	Clauses relating to transition arrangements.

5.2.9 Appendix I of this Report provides a detailed explanation of each of the five omitted best practice contractual clauses outlined in Table 17. Through interviews, MFSS confirmed that future agreements will be addressing most of these contractual shortcomings.

5.3 The ‘Villa Chelsea’ Programme is heavily dependent on Government’s financial allocation

5.3.1 The ‘Villa Chelsea’ Programme’s primary financing source during 2014 and 2015 emanated through the Agreement between Richmond Foundation and the NGOPSC within the MFSS (in 2014) and MSDC (in 2015). Audited Financial Statements indicate that public funds expended through this Agreement during the years in question amounted to €170,000 per annum, which is equivalent to 99 and 96 per cent of this Programmes’ generated income for 2014 and 2015 respectively. The remaining income was mainly generated through Richmond Foundation fundraising activities, donations and other income. Figure 3 refers.

Figure 3 : ‘Villa Chelsea’ Programme’s sources of income (2014 and 2015)



Source: Audited Financial Statements (2014 and 2015).

5.3.2 Apart from the yearly allocation of €170,000, the 'Villa Chelsea' rehabilitation Programme benefitted from other contributions in kind. A case in point relates to the provision of the 'Villa Chelsea' Home in B'Kara, which is provided rent-free by Government to Richmond Foundation. Through an Agreement signed in 1995 between the Foundation and the former Ministry for Social Development, Government agreed to allocate the use of 'Villa Chelsea' Home for the running of a community-based rehabilitation service for persons with mental health difficulties.

5.4 Audited Financial Statements do not disclose contributions made by service-users enrolled in the Programme

5.4.1 As already outlined in Section 5.2.7 of this Chapter, residents as well as day users making use of the 'Villa Chelsea' rehabilitation Programme are requested by Richmond Foundation to pay €130 and €70 per month respectively. During discussions undertaken with the Foundation, it was stated that this contribution, apart from covering expenses related to this Programme, is intended to help service-users in their money budgeting skills. This would particularly be useful when users terminate their Programme and move, either to the 'Supportive Housing Scheme' managed by the same NGO or to independent living. Richmond Foundation contended that in reality, due to individual financial difficulties, not all residents pay their monthly contribution.

5.4.2 During the course of this audit, however, it was noted that financial contributions paid by service-users are not being appropriately disclosed in the Richmond Foundation prepared Financial Statements relating to the 'Villa Chelsea' Programme. Audit testing revealed that, as a minimum, service-users contributed €7,536 and €10,041 to the NGO during 2014 and 2015 respectively. These amounts could potentially increase to €28,800 annually if one assumes a full capacity of 12 residential users and 12 day users and if it is assumed that all users pay their contribution. During discussions, the Foundation stated that the lack of appropriate disclosure is primarily resulting since service-users go to the bank to deposit their monthly contribution but do not indicate their identity. Consequently, these contributions are recorded as donations received by the NGO and are not separately classified as income generated from the 'Villa Chelsea' Programme.

5.4.3 In effect, such a state of affairs increases further the surplus recorded by the 'Villa Chelsea' Programme. Audited Financial Statements indicate that operational surpluses of €16,393 and €2,649 were recorded in 2014 and 2015 respectively. Assuming that service-users contributed a further €7,536 and €10,041 during this two-year period, the operational surplus will increase to €23,929 in 2014 and €12,690 in 2015.

5.5 Salaries and wages were the primary source of direct expenditure for the 'Villa Chelsea' Programme

5.5.1 The total cost for the running of the 'Villa Chelsea' Programme amounted to €156,077 and €174,169 during 2014 and 2015 respectively. During the same period, general overheads relating to this Programme amounted to around 15 and 14 per cent of the total Programme expenditure. Table 18 refers.

Table 18 : ‘Villa Chelsea’ Programme’s sources of expenditure (2014 and 2015)

Expenditure	2014	2015
	(€)	(€)
Direct expenditure	132,042	150,338
- Richmond Foundation staff	64,227	71,803
- Subcontracted workers	41,308	41,128
- Other direct expenditure	26,507	37,407
Overheads	24,035	23,831
Total	156,077	174,169

Source: Audited Financial Statements (2014 and 2015).

5.5.2 Salaries and wages of Richmond Foundation employed staff as well as other subcontracted workers employed by the NGO to run this Programme, were the main direct cost elements of the ‘Villa Chelsea’ Programme’s expenditure. To this end, the NGO expends €105,535 and €112,931, which constitute 80 and 75 per cent of the total direct expenditure incurred during 2014 and 2015 respectively. It is to be noted that from 2014 to 2015, costs related to directly employed staff increased by around 12 per cent. This is mainly attributable to increases in staff as well as yearly increases in payroll costs. Moreover, during the same period, other expenditure directly related to the ‘Villa Chelsea’ Programme also increased by around 41 per cent. Amongst others, this was particularly due to increases in maintenance costs related to the ‘Villa Chelsea’ Home, fuel expenses as well as other insurances and licenses.

5.6 In 2014 and 2015, the ‘Villa Chelsea’ Programme operated significantly below its full capacity

5.6.1 In 2014 and 2015, the ‘Villa Chelsea’ Programme was operating at a capacity rate of 57 and 75 per cent respectively. Although not specifically outlined in the Service Agreement, during discussions with Richmond Foundation, it was indicated that the Home has a total maximum capacity for 24 service-users – 12 residential or respite users and another 12 day users. Towards this end, the capacity rate of this Programme was determined by comparing the actual number of users making use of this service to the total maximum capacity of 24 users. Table 19 refers.

Table 19 : Capacity rate for the ‘Villa Chelsea’ Programme (2014 and 2015)

		2014	2015
Total maximum capacity			
Residential and Respite Users	12 service-users	4,380 (total bed nights)	4,380 (total bed nights)
Day Users	12 service-users	4,380 (total days)	4,380 (total days)
TOTAL	24 service-users	8,760 (day/night)	8,760 (day/night)
Actual number of users			
Total: Residential, Respite and Day Users	Number of different users	34	48
	Total days by different day users	5,002	6,648
Total Occupancy Rate (days)		57.1%	75.0%

5.6.2 The low capacity rate for the 'Villa Chelsea' Programme during 2014 and 2015 was mainly attributed to the following reasons:

i. A high number of referred service-users refused the service provided

In 2014 and 2015, 16 and 18 out of the 34 and 42 referred users for the 'Villa Chelsea' Programme refused to be considered for this service. During discussions with Richmond Foundation it was outlined that the main reasons for the refusal of service were mainly associated with the:

- a. Lack of knowledge by the applicant regarding the service provided at 'Villa Chelsea'.
- b. Family reasons.
- c. Financial situation of the applicant.

ii. Delays in the admission process due to Richmond Foundation's staff turnover

This review noted that delays were also experienced in the admission process for the 'Villa Chelsea' Programme, particularly during 2014. Richmond Foundation contended that a number of applications were put on hold due to staff turnover issues. It is estimated that during 2014 and 2015, at least five and four applications were delayed due to these operational difficulties encountered by the NGO. These applications took an average time of 83 and 42 days respectively between the referral of applications and the admittance of service-users into the Programme.

5.7 The Programme's low participant's rate prohibited contractual output targets from being fully attained

5.7.1 The Service Agreement's Appendix stipulates seven annual output targets that are to be delivered with respect to this rehabilitation Programme. To this effect, this review entailed determining the extent to which such outputs were delivered. This task was undertaken in two stages. Firstly, the extent of compliance with the contracted output levels was determined. Secondly, in view that the Programme was operating below its maximum participant level, the contracted outputs were adjusted on a pro-rata basis to ascertain that the enrolled participants received the level of service as intended by the Agreement. The second phase of this evaluation assumes that, on average, each service-user receives the same level of services in terms of frequency, type and quality. In addition, in accordance with the prudence concept, this latter phase also considered the number of days spent in hospitalization by service-users, which consequently imply that the NGO would not need to deliver its services. Table 20 refers.

5.7.2 The first phase of this review noted that in most instances, service delivery in terms of the quantitative number of outputs that are to be delivered for the 'Villa Chelsea' Programme did not adhere to stipulated outputs as indicated in the Service Agreement. This was mainly due to the Programme operating significantly below its maximum participant level. As outlined in Section 5.6, in 2014 and 2015, the 'Villa Chelsea' Programme was operating at a capacity rate of 57 and 75 per cent respectively. This, naturally, resulted into a decline in the expected quantity of certain annual outputs. The variances mainly materialized in service outputs that are specifically tailored to be provided to each service-user rather than at a group level, such as *case reviews*, *individual key working sessions* and *psychiatric review sessions*.

Table 20 : Variance between expected and actual outputs delivered (2014 and 2015)

Type of Output	Contractually stipulated service deliverables	Adjusted service deliverables to reflect Programme's capacity		Actual service deliverables		Variance between actual and adjusted service deliverables	
		2014	2015	2014	2015	2014	2015
Case reviews	90	40	52	45	35	5	-17
Individual key working sessions	1,500	762	917	540	630	-222	-287
Therapeutic community meetings	90	90	90	58	63	-32	-27
Leisure activities	80	80	80	154	62	74	-18
Group skills training	200	200	200	865	890	665	690
Assessments of new referrals	40	40	40	35	45	-5	5
Psychiatric review sessions	70	26	38	26	27	0	-11

Source: Richmond Foundation.

5.7.3 Table 20 also shows that in many instances there were a number of negative variances with respect to Programme outputs even in circumstances where service delivery targets were adjusted on a pro-rata basis in terms of the number of Programme participants. Richmond Foundation contended that these variances are mainly attributed to circumstances when key workers avail themselves of vacation or long term sick leave. Consequently, the output variance materializes as key workers assigned to each service-user benefitting from the 'Villa Chelsea' Programme are not replaced in such circumstances.

5.8 The quality of service provided in the 'Villa Chelsea' Programme adhered to generally accepted practices

5.8.1 This review also assessed service delivery in terms of the qualitative aspect of the 'Villa Chelsea' Programme provided to service-users. Towards this end, this analysis comprised a number of generally accepted practices as operational criteria against which served as benchmarking guides to gauge the quality of services provided through the 'Villa Chelsea' Programme. Based on the following accepted practices, the quality of service provided was deemed as appropriate:

i. Licensing

The 'Villa Chelsea' Home, is licensed by the Department for Health Care Standards to operate as a Mental Health Facility. This license is issued in terms of Section 98(1) of the Medical and Kindred Professions Ordinance, the Mental Health Act and other laws and regulations. On a yearly basis, the Department inspects the premises prior to the issuance of this license.

ii. Quality Management Systems

Richmond Foundation's Quality Management Systems (QMSs) were deemed by the certifying agency as well implemented and maintained. These QMSs comply with the requirements of the International Organization for Standardization (ISO). To this end, the Malta Competition and Consumer Affairs Authority (MCCAA) certified the current registration of this QMS, which expires on 31 October 2016.

iii. Complaints lodged

During the period under review, Richmond Foundation received only one complaint with respect to the 'Villa Chelsea' Programme. This was immediately resolved following discussions between the involved parties. Similarly, the Office of the Commissioner for Mental Health and MFSS as well as MSDC – as the contracting authorities – did not receive any complaints regarding the services offered by this NGO for services rendered during 2014 and 2015.

iv. Regulatory reviews

Discussions with the Commissioner for Mental Health confirmed that regulatory reviews carried out by the latter's office, generally, proved satisfactory.

v. User's satisfaction audits

Richmond Foundation also undertook evaluation exercises to determine the satisfaction level of service-users making use of the 'Villa Chelsea' rehabilitation Programme. In 2014 and 2015, an overall satisfaction rate of 90 and 89 per cent was achieved. These results indicate that service delivery according to participants is of a high satisfaction level.

vi. Site Visits undertaken by NAO

For the scope of this review, the National Audit Office (NAO) carried out an observation visit at the 'Villa Chelsea' Home. During this visit, no particular concerns were noticed. Moreover, based on such an observation, this Office was generally satisfied with the level of documentation maintained by the NGO as well as the delivery of this rehabilitation Programme.

5.9 The 'Villa Chelsea' Programme adhered to value for money considerations

5.9.1 This Section discusses value for money (VfM) considerations with respect to the 'Villa Chelsea' Service Agreement between the NGOPSC (formerly within MFSS's remit and later within MSDC's remit) and Richmond Foundation. The ensuing discussion mainly focuses on the effectiveness and the economical aspects of this Programme.

Programme effectiveness criteria has been fulfilled

5.9.2 For the purpose of this review, the effectiveness criteria adopted mainly related to the quality of the services provided. To this end, the criteria related to the accreditation of services, the licensing of the 'Villa Chelsea' Home, the level of complaints received and users' satisfaction levels. Reference to the satisfactory delivery of these elements has been made in Section 5.8. Consequently, the effectiveness criteria noted within this paragraph are deemed to have been fulfilled.

5.9.3 Furthermore, there are other significant positive factors for transferring residents from institutionalized care to residences similar to 'Villa Chelsea'. The rehabilitation Programme provided in 'Villa Chelsea' is more person-oriented when compared to the institutionalized care environment provided in Mount Carmel Hospital (MCH).

The estimated average daily rate per service-user is deemed reasonable

5.9.4 The VfM assessment of the 'Villa Chelsea' Programme also considered its economic aspect through the following criteria:

- i. Reasonableness of the total costs incurred by Government for the running of the 'Villa Chelsea' Programme as well as the respective major cost elements.
- ii. Benchmarking with the costs incurred by other Governmental entities for the direct provision or procurement of similar mental health care services.

5.9.5 As one of the main cost elements, personal emoluments expenditure, which constitute 80 and 75 per cent of the total direct expenditure incurred during 2014 and 2015 respectively, was deemed reasonable by this review. The average payroll cost of staff employed within the 'Villa Chelsea' Programme compared favourable when benchmarked to the payroll costs of similar government employees.

5.9.6 Furthermore, in 2014 and 2015, public funds expended through the 'Villa Chelsea' Service Agreement amounted to €170,000 per annum. As outlined in Table 21, assuming that 'Villa Chelsea' is operating at its full capacity, government's financial allocation is estimated to amount to around €25.23 for resident or respite users and €13.58 for day users. Resident and day users are requested by Richmond Foundation to pay an additional €130 and €70 per month respectively. Considering this contribution paid by users, the total estimated average daily rate per resident and day user increases to €29.50 and €15.88 respectively when assuming that all users pay their contribution. Table 21 refers.

Table 21 : Estimated average daily rate per resident/respite and day service-user when assuming full operational capacity conditions

	Resident / Respite service-users	Day service-users	Total
Maximum number of service-users.	12	12	24
Service-users' monthly contribution.	€130	€70	n/a
Apportionment of NGOPSC's total yearly allocation of €170,000 on the basis of service-users' monthly contribution.	€110,500	€59,500	€170,000
Estimated average daily rate per service-user (government's financial allocation).	€25.23	€13.58	n/a
Estimated average daily rate per service-user (service-users' contribution).	€4.27	€2.30	n/a
Total estimated average daily rate per service-user assuming maximum Programme capacity.	€29.50	€15.88	n/a
Total estimated average daily rate per service-user assuming 57 per cent (2014) and 75 per cent (2015) of Programme's capacity.	€44.26 / €33.64	€23.83 / €18.11	n/a

5.9.7 The estimated average daily rates of €25.23 and €13.58 provided by the NGOPSC per each residential and day user respectively, is considered as highly favourable when compared to the cost for running a *Half Way Home* in MCH. In 2014 and 2015, Mental Health Services estimated the cost of this Home in MCH at around the €176 and €199 level. However, the latter caters for cases that are more complex.

5.9.8 Despite the cost reasonableness depicted by Table 21 and the comparative evaluation with similar services provided by MCH, it transpires that there is still scope for improving the economic considerations of this Programme. In view of the resulting economies of scale, unit costs per person would have decreased significantly in 2014 and 2015 as indicated in Table 21. The foregoing illustrates the importance of exploiting Programme vacancies at the earliest opportunities, which in turn, would elicit increased social and economic benefits.

5.10 Conclusion

- 5.10.1 This Chapter has illustrated that generally, the persons participating in the *'Villa Chelsea'* Programme benefitted from professionally delivered services which also fulfilled value for money criteria, which could have been significantly better had the Programme operated at its intended capacity. Nevertheless, this review elicited some issues that to varying degrees influenced the delivery of this Programme.
- 5.10.2 This Contract did not appropriately address service delivery issues or refer to service-users' financial contribution. These issues impinge on the Programme's operational transparency. Similarly, some minor accounting errors had the same effect on the financial operational performance of this Programme.
- 5.10.3 In conclusion, this review acknowledges that this Programme delivers social benefit to all parties involved in this Agreement, particularly service-users. To this end, service-users have the opportunity to receive rehabilitation services within a community rather than an institutional care environment.
- 5.10.4 The following Chapter of this Report will provide a detailed overview of the *'Supportive Housing Scheme'* Service Agreement managed by the Ministry for Social Dialogue, Consumer Affairs and Civil Liberties.

Chapter 6

Service Agreement for the running of the *'Supportive Housing Scheme'*

Chapter 6 – Service Agreement for the running of the ‘Supportive Housing Scheme’

6.1 Introduction

- 6.1.1 Richmond Foundation through the collaboration of both the Non Governmental Organization Project Selection Committee (NGOPSC) and the Housing Authority also administers the ‘Supportive Housing Scheme’ Service Agreement. This Scheme aims to provide affordable accommodation together with the required support to encourage persons suffering from chronic mental health problems to adopt an independent lifestyle in lieu of dependence on a mental health institution. The Programme’s annual costs in 2014 and 2015 amounted to €122,624 and €134,551 respectively. The Scheme was primarily financed through the monthly fee paid by service-users. Such financing amounted to around 70 per cent of the Programme’s annual income. A further 28 per cent of revenue was generated through government grants, namely through the NGOPSC and subsidies pertaining to a Housing Authority’s Scheme.
- 6.1.2 The ‘Supportive Housing Scheme’, launched in 2000, aims to provide affordable housing together with individualized support services for tenants with mental health difficulties. Richmond Foundation provides this service through 25 housing units (including a Group Home at Fleur De Lys) catering for a maximum of 54 persons. Currently, the Non Governmental Organization (NGO) rents 13 out of the 25 housing units from the Housing Authority at a cost of €15,222 annually on the proviso that these are to be used for the exclusive use of service-users suffering from mental health conditions. Richmond Foundation also rents an additional 12 units from the private sector at an annual cost of €36,664. To this end, Richmond Foundation receives subsidies from the Housing Authority in terms of the scheme entitled ‘Rent subsidy in private rented residences’, which is also available to persons with mental health problems. The NGO receives these subsidies on behalf of eligible service-users.
- 6.1.3 Subsequently, the Foundation enters into Agreements with each of the tenants whereby service-users are charged, with some minor exceptions, a rental fee of €1,560 annually. This charge also includes the cost of utilities as well as the support services related to the management of respective residences, as stipulated in the Agreement. Furthermore, this fee is applicable irrespective of whether tenants are residing in units sought from the Housing Authority or the private sector, locality and the number of users residing in an apartment, which can range from one person to seven service-users. The Scheme is managed by a Supportive Housing Co-Ordinator within the NGO, who is on call 24 hours a day, seven days a week and assisted by a Supportive Housing Aide and a part-time accounting clerk.

6.1.4 During 2014 and 2015, the period within the scope of this audit, two Service Agreements regulated the running of the ‘*Supportive Housing Scheme*’. In February 2012, the NGOPSC within the Ministry for Justice, Dialogue and the Family (MJDF) signed a three-year Agreement with Richmond Foundation applicable from 1 January 2012 to 31 December 2014. In 2015, the NGOPSC’s responsibilities fell within the Ministry for Social Dialogue, Consumer Affairs and Civil Liberties (MSDC) and a new one-year Agreement was signed effective from 1 January 2015 to 31 December 2015. Table 22 refers.

Table 22 : ‘*Supportive Housing Scheme*’ Service Agreement

Governmental entity party to the Agreement	Date of signing	Contract duration	Government funding (<i>per annum</i>)	Target population
Ministry for Justice, Dialogue and the Family (MJDF)	17 Feb 2012	1 Jan 2012 – 31 Dec 2014	€14,600 (adjusted to €20,000 in 2014)	A maximum of 54 service-users (However, not specified in Agreement)
Ministry for Social Dialogue, Consumer Affairs and Civil Liberties (MSDC)	9 Sep 2015	1 Jan 2015 – 31 Dec 2015	€20,000	

6.1.5 To this end, in line with this audit’s objectives, this Chapter outlined how:

- i. The ‘*Supportive Housing Scheme*’ Agreement does not stipulate Programme’s minimum operating capacity and fees due by service-users.
- ii. The Programme’s income as depicted in the NGO’s Audited Financial Statements is subject to some qualifications.
- iii. Rent and personal emoluments were the Programme’s main direct costs.
- iv. The provision of service, generally, adhered to contractual provisions.
- v. The Programme fulfilled value for money criteria.

6.2 The ‘*Supportive Housing Scheme*’ Agreement does not stipulate Programme’s minimum operating capacity and fees due by service-users

6.2.1 This audit depicted how the Service Agreement for the running of the ‘*Supportive Housing Scheme*’ had a number of contractual shortcomings. These limitations mainly related to contractual omissions concerning the Programme’s operating capacity and provisions regarding fees due by service-users.

Agreement does not stipulate the Programme’s minimum operating capacity

6.2.2 The Service Agreement for the running of the ‘*Supportive Housing Scheme*’ does not stipulate the Programme’s minimum operating capacity both in terms of the number of service-users to benefit from this Contract and the number of housing units that are to be made available for such users. Currently the NGO has an operating capacity available for 54 persons through 25 housing units – 13 of which are rented from the Housing Authority while another 12 housing units are rented from the private sector. The lack of clear contractual definitions with respect to the Scheme’s operating capacity could potentially be conducive to situations of litigation with respect to the Programme’s expected outputs.

Agreement does not make reference to fees due to Richmond Foundation by service-users

6.2.3 The 'Supportive Housing Scheme' is primarily financed through a €130 monthly contribution¹¹ paid by service-users, which, in 2014 and 2015 accounted for 68 and 70 per cent of the Programme's financing respectively. However, the Service Agreement does not make reference that enrollment in this Scheme is subject to the aforementioned monthly rental charges. The lack of appropriate contractual provisions does not clearly outline the Programme's financing arrangements - a situation, which could potentially give rise to governance issues, particularly with regards the transparency of fees charged to service-users.

Omission of best practice contractual clauses were noted in the 'Supportive Housing Scheme' Service Agreement

6.2.4 The 'Supportive Housing Scheme' Service Agreement also omits a number of best practice contractual clauses¹². Such clauses would have been beneficial to further safeguard the two contracting parties as well as service-users' interests. Table 23 lists five best-practice contractual clauses that were omitted from this Service Agreement.

Table 23 : Omission of best practice contractual clauses in the 'Supportive Housing Scheme' Service Agreement

Omitted best practice contractual clauses	
1	Clauses relating to conflict of interest.
2	Clauses relating to insurance.
3	Clauses relating to penalties and incentives.
4	Clauses relating to subcontracting.
5	Clauses relating to transition arrangements.

6.2.5 Appendix I of this Report provides a detailed definition of the five best practice contractual clauses referred to in Table 23.

6.3 The Programme's income as depicted in the NGO's Audited Financial Statements is subject to some qualifications

6.3.1 The Financial Statements show that the Programme's income declined in 2015 over the previous year by around 14 per cent. Table 24 presents the Programmes' sources of revenue as shown in the Financial Statements pertaining to 2014 and 2015.¹³ Table 24 refers.

Table 24 : 'Supportive Housing Scheme's main sources of income (2014 and 2015)

Sources of Income	2014		2015	
	€	%	€	%
Service-users' contribution	92,750	68	81,120	70
NGO's Fund grant	20,000	15	20,000	17
Housing Authority subsidy	17,162	13	12,332	10
Other Income	5,417	4	3,030	3
Total Income	135,329	100	116,482	100

Source: Audited Financial Statements (2014 and 2015).

¹¹ The exception to this norm relates to three service-users who are charged different rates – two are charged a higher rate whereas one is charged a lower rate.

¹² Best practice contractual clauses were derived from Australian National Audit Office, 2012, *Developing and Managing Contracts – Getting the right outcome, achieving value for money*.

¹³ Table 24 does not include water and electricity subsidies applicable on the 25 housing units used for the running of this Scheme. During 2014 and 2015, these subsidies amounted to around €14,633 and €11,773. These figures feature indirectly in the Financial Statements as the NGO's net expenditure on utilities with respect to these housing units.

6.3.2 The figures derived from the NGO's Financial Statements, however, are subject to the following qualifications:

- i. The *'Supportive Housing Scheme'* is primarily financed through a €130 monthly contribution paid by service-users. However, the 2014 figures quoted inadvertently also included contributions made by service-users for the Programme provided by the NGO at *'Villa Chelsea'* (Section 5.4 refers). On the assumption that the 626 occupied service-user months of service provided under the *'Supportive Housing Scheme'* were fully compliant with regards their monthly contribution, then the figure for 2014 is estimated at around €81,380. This qualification tends to be substantiated since the figures quoted in the Financial Statements for 2015, generally, reflect the Programme's capacity in terms of service-users.
- ii. The Financial Statements do not appropriately account for the receipt of the Housing Authority's subsidy. This state of affairs materialized through two main factors. Firstly, subsidies pertaining to a specific year may not be received in a timely manner and thus, payment is made in the subsequent year. Secondly, the NGO records such receipts on cash basis, consequently not reflecting the year to which such grants pertain. This deviates from accounting standards applicable to category three NGOs as stipulated by Legal Notice 379 of 2012 *'Voluntary Organizations (Annual Returns and Annual Accounts) Regulations, 2012'*.¹⁴

6.3.3 In addition to the above qualifications, the Programme's income is also affected by defaulting service-users who for various reasons do not fulfill their rental charges obligations. As at end 2015, the NGO had rental arrears amounting to €4,674 with respect to 14 users.

6.3.4 In view of the above considerations, it can be concluded that, generally, the income figures outlined in the Financial Statements do not appropriately reflect the income received by the NGO as per Programme's capacity during 2014 and 2015. Consequently, the shift from an operational surplus of €9,628 to an operational deficit of €18,078 quoted in the Audited Financial Statements is largely attributable to the qualification highlighted within this Section. Another factor contributing to the registered deficit in 2015 relates to an increase in total expenditure of 10 per cent as discussed in the next Section.

6.4 Rent and personal emoluments were the primary source of direct expenditure for the *'Supportive Housing Scheme'*

6.4.1 The total cost for the running of the *'Supportive Housing Scheme'* Programme amounted to €122,624 and €134,551 during 2014 and 2015 respectively. During the same period, general overheads relating to this Programme amounted to around six and seven per cent of the total Programme expenditure. Table 25 refers.

6.4.2 Rent for the provision of the 25 housing units as well as Richmond Foundation employees' salaries were the main direct cost elements of the *'Supportive Housing Scheme'* Programme. To this end, during 2014 and 2015, the NGO expended €97,173 and €96,316 with respect to these two major cost line items. These are equivalent to 84 and 77 per cent of the total direct expenditure incurred.

¹⁴ Legal Notice 379 of 2012 stipulates that category three enrolled voluntary organizations, that is those NGOs whose annual revenue exceed €200,000, shall prepare their accounts on an accrual basis unless there are proper reasons for the requirement to use the cash basis and the Commissioner for Voluntary Organizations approves this in writing.

Table 25 : ‘Supportive Housing Scheme’ Programme’s sources of expenditure (2014 and 2015)

Expenditure	2014	2015
	(€)	(€)
Direct expenditure	115,757	125,385
- Rent	54,042	49,355
- Salaries and Wages	43,131	46,961
- Other direct expenditure ¹⁵	18,584	29,069
Overheads	6,867	9,166
Total	122,624	134,551

Source: Audited Financial Statements (2014 and 2015).

6.5 The ‘Supportive Housing Scheme’ generally adhered to contractual provisions as stipulated in the Agreement

6.5.1 During 2014 and 2015, the delivery of services by Richmond Foundation with respect to the ‘Supportive Housing Scheme’ generally adhered to accepted practices within the specialized field. In addition to the contractual provisions defining service delivery, the NAO established a number of other criteria against which to evaluate Programme’s outputs. The service delivery criteria adopted mainly related to generally accepted requisites for similar Programmes. Such criteria included the following:

i. Programme outputs as stipulated in the Service Agreement were delivered

A marginal discrepancy materialized between the services delivered in terms of the number of man-hours to be dedicate to the Programme in accordance with contractual provisions. To this end, the ‘Supportive Housing Scheme’ Service Agreement outlines three service outputs namely the apartments upkeep, the management and administration of tenancies and home visits providing practical support to service-users. Table 26 refers.

Table 26 : Variance between expected and actual outputs delivered (2014 and 2015)

Type of Output	Expected quantity to be delivered in a year	Actual quantity delivered in a year		Variance	
	(as per Service Agreement)	2014	2015	2014	2015
Finishing, furnishing and upkeep of apartments	1,000 hrs	1,590 hrs	1,532 hrs	590 hrs	532 hrs
Management and administration of tenancy: Collection of rents, payment of bills, reconciliation of transactions and liaison with stakeholders	3,000 hrs	2,159 hrs	2,363 hrs	(841 hrs)	(637 hrs)
Home visits: Supporting tenants to move to Supportive Housing Follow up and Support Crisis intervention On call service	300 hrs	977 hrs	790 hrs	677 hrs	490 hrs
Total	4,300 hrs	4,726 hrs	4,685 hrs	426 hrs	385 hrs

¹⁵ Other direct expenditure included other costs primarily relating to water and electricity bills, depreciation of property, plant and equipment, repairs and maintenance as well as fuel costs.

Table 26 shows that in 2014 and 2015, Richmond Foundation delivered a total of 4,726 and 4,685 hours respectively. Despite the marginal negative variance in the man-hours delivered with respect to the management and administration of tenancies, the number of total hours delivered exceeded contractual obligations by ten and nine per cent during the years under review.

ii. Richmond Foundation's Quality Management Systems were deemed by the certifying agency as well implemented and maintained

Richmond Foundation is a holder of and operates a Quality Management System (QMS) that complies with the requirements of the International Organization for Standardization (ISO). To this end, the Malta Competition and Consumer Affairs Authority (MCCAA) certified the current registration of this QMS, which expires on 31 October 2016.

iii. No complaints were registered

Richmond Foundation did not receive any complaints regarding service delivery of the *'Supportive Housing Scheme'* during 2014 and 2015.

iv. User's satisfaction levels were deemed appropriate

Richmond Foundation also undertook evaluation exercises to determine the satisfaction level of service-users making use of the *'Supportive Housing Scheme'*. These surveys registered an overall satisfaction rate of 80 and 93 per cent in 2014 and 2015.

6.6 The *'Supportive Housing Scheme'* adheres to value for money considerations

6.6.1 This Section discusses value for money considerations with respect to the *'Supportive Housing Scheme'*. This evaluation comprised two main criteria - Programme effectiveness and economy. The ensuing discussion elaborates further on the main factors considered with respect to these two criteria.

NAO established criteria on Programme effectiveness has been fulfilled

6.6.2 For the purpose of this review, effectiveness criteria related to the quality of the services provided. To this end, the criteria adopted were mainly based on the quality accreditation of services, the level of complaints received as well as other user-satisfaction surveys. Reference to the satisfactory delivery of these elements has been made in Section 6.5. Consequently, the effectiveness criteria noted within this paragraph are deemed to have been fulfilled.

6.6.3 Within this context, the effectiveness criteria are deemed to have been fulfilled also from a Programme outcome point of view. The encouragement of mental health patients to pursue independent living within the community rather than through a mental health institution has been proved to be beneficial to service-users and in-line with current developments within the sector. Service-users, with the help of the *'Home Support'* services provided by the same NGO, become increasingly empowered to gain their independence and to assume personal responsibility for their daily living activities. Furthermore, residents within these housing units are encouraged to integrate within their respective communities.

The Scheme's financial governmental grants constituted favourable terms

6.6.4 In 2014 and 2015, as already stated in Section 6.3, the financial grant provided by the NGOPSC for the running of the 'Supportive Housing Scheme' amounted to €20,000. In addition, during the years under review, Richmond Foundation received other grants amounting to €17,162 and €12,332 with respect to the 'Rent subsidy in private rented residences' scheme operated by the Housing Authority. Based on the following criteria, this amount is deemed to adhere to value for money considerations:

- i. Government financial grants financed 30 and 24 per cent of the Programme's total cost in 2014 and 2015. Considering the expenditure involved, particularly the costs related to the renting of the 25 housing units as well as the salaries and wages of the three staff directly employed within this Scheme, these grants are deemed to have been critical to the Programme's financial sustainability.
- ii. On average, during 2014 and 2015, Richmond Foundation expended €173 per month on rental costs for each of the 25 housing units it utilizes for the purpose of this Programme. Furthermore, during the years under review, the average rental cost for each user amounted to €83 and €85 respectively. These figures, portrayed in Table 27, lend themselves to further value for money evaluations.

Table 27 : Average monthly costs relating to housing units utilized by Richmond Foundation (2014 and 2015)

		2014			2015		
		Private	Housing Authority	Total	Private	Housing Authority	Total
Number of housing-units		12	13	25	12	13	25
Actual occupancy (Number of service-users)		24	28	52	24	27	51
Average monthly rent cost per unit	€	254.61	96.94	172.62	254.61	96.94	172.62
Average monthly rent cost per service-user	€	127.31	45.01	82.99	127.31	46.67	84.62
Average monthly total cost per unit	€	483.22	325.54	401.23	538.60	380.92	456.61
Average monthly total cost per service-user	€	237.21	154.91	192.90	266.52	185.88	223.83

6.6.5 The costs depicted in Table 27 above show the fulfillment of value for money criteria as follows:

- i. The average rental costs of the 12 and 13 housing units that the NGO rents from the private and public sector for the purpose of this Programme amounts to €255 and €97 monthly. This is significantly below the market rental value quoted by the National Statistics Office (NSO) where it was noted that during the years under review, the average monthly rate for a one-bedroom apartment in Malta amounted to €490 and €605.
- ii. Furthermore, the average national rental estimates quoted by NSO remain higher than the total average cost incurred by the NGO to maintain the housing units at its disposal. To this end, the total average monthly expenditure quoted in Table 27 comprises other expenditures directly related to the running of this Programme, including personal emoluments of employed staff and utilities bills.

- iii. From a service-user point of view, the total monthly amount payable also constitutes value for money. On average, this charge, which comprises all of the support services provided within the Programme, in 2014 and 2015, was 61 and 63 per cent below the national average monthly rent for a single bed-roomed apartment as quoted recently by the NSO for these two years.

6.7 Conclusion

- 6.7.1 This review noted some contractual shortcomings within the '*Supporting Housing Scheme*' Service Agreement which could provide avoidable legal and operational obstacles in potential cases of litigation. Nevertheless, this audit acknowledges that, in general, the services provided by Richmond Foundation through this Service Agreement comply with contractual provisions and value for money criteria.
- 6.7.2 In terms of its effectiveness, this Programme was delivered in accordance to the principles of encouraging users to, as far as possible, fulfill their potential to pursue an independent way of life within the community. To this end, Richmond Foundation provided the contractual support necessary, and in certain cases exceeded the contracted number of man-hour allocations.
- 6.7.3 This Programme also proved to respect value for money considerations, particularly with respect to its economy. Within this context, all stakeholders involved in this Programme, namely, Governmental agencies, Richmond Foundation and not least, the service-users benefited from the operational and financial aspects associated with this Programme.
- 6.7.4 The next Chapter of this Report provides a review of the '*Employment for All*' Project Service Agreement, which during 2014 and 2015 was administered by the former Employment and Training Corporation, currently known as Jobsplus.

Chapter 7

Service Agreement for the running of the *'Employment for All'* Project

Chapter 7 – Service Agreement for the running of the ‘Employment for All’ Project

7.1 Introduction

7.1.1 This Chapter discusses the Co-operation Agreement between the former Employment & Training Corporation (ETC), currently known as Jobsplus, and Richmond Foundation in conjunction with the the ‘Employment for All’ Project. The purpose of this Agreement is for the Non Governmental Organization (NGO) to provide specialized and personalized services to persons with mental health difficulties in order to enhance their employment opportunities, with a view to enable their entry into the labour market and to retain employment.

7.1.2 The Project, which comprises four phases, aims to provide training to a minimum of 24 participants per annum. Through this Agreement, the Foundation also agrees to arrange work exposure experiences as well as to identify and obtain suitable job placements for participants. Furthermore, the NGO is to provide the necessary follow-on support after participants have been placed in employment.

7.1.3 The Service Agreement for the running of the ‘Employment for All’ Project was signed in June 2011 and became effective as from 1 July 2011. Following its three-year duration, the Agreement was extended on a monthly basis up to 31 December 2015. The main reason for the termination of the Agreement was that Jobsplus decided to revamp the Programme’s objectives. Table 28 refers.

Table 28 : ‘Employment for All’ Project

Governmental entity party to the Agreement	Date of signing	Contract duration	Government funding	Target population
Employment and Training Corporation (ETC)	23 Jun 2011	1 Jul 2011 - 30 Jun 2014 (extended till 31 Dec 2015)	Not exceeding €46,500 per annum	Minimum of 24 participants

7.1.4 To this end, in line with this audit's objectives, this Chapter outlined how:

- i. The Service Agreement did not provide for situations where enrolled participants do not complete Transition Training and Work Exposure Phases.
- ii. The '*Employment for All*' Service Agreement omitted some best practice contractual clauses.
- iii. The Project was primarily financed through the Service Agreement with ETC.
- iv. Salaries and wages were the primary source of expenditure for this Programme.
- v. Most participants did not complete the '*Employment for All*' Project.
- vi. The low success rate in terms of long-term employment influenced value for money considerations.

7.2 The Service Agreement does not provide for situations where enrolled participants do not complete Transition Training and Work Exposure Phases

7.2.1 The '*Employment for All*' Service Agreement does not appropriately cater for situations where enrolled participants voluntarily drop out from a Programme phase, particularly in instances where service-users do not complete the Transition Training and Work Exposure Phases. The Agreement stipulates that ETC is to pay, in advance, an annual lump sum of €25,500 to cover charges relating to these two phases catering for a minimum of 24 participants. Moreover, Schedule 1 of the Agreement states that each participant is to be provided with 150 hours of transition training duration as well as an additional 150 hours of work exposure.

7.2.2 The absence of the provisions referred to on the preceding paragraph leads to a contractual lacuna, particularly with respect to charges due to the NGO. A case in point relates to 2014 and 2015 where the Programme attracted less than the minimum capacity and a number of participants did not complete the required hours. In these circumstances, the NGO was still due the full amount. The issue of low Programme capacity rate will be discussed further in Section 7.6.

7.3 The '*Employment for All*' Service Agreement omitted some best practice contractual clauses

7.3.1 The '*Employment for All*' Service Agreement in place between ETC and Richmond Foundation omitted some best practice contractual clauses. The lack of such clauses is potentially detrimental to Agreement's signatories as well as to the service-users themselves. The following refers:

- i. Contracting parties' declaration of potential conflict of interests.
- ii. Insurance relating to the premises as well as to human resources.

- iii. Subcontracting clauses intended to specify that the contractor retain the responsibility and obligations for the performance of their work.
- iv. Transition arrangements intended to ensure service continuity in the event of contract dissolution.

7.3.2 Appendix I of this Report discusses the foregoing provisions in detail.

7.4 The ‘Employment for All’ Project was primarily financed through the Service Agreement with ETC

7.4.1 The ‘Employment for All’ Project’s primary financing source during 2014 and 2015 emanated from the Service Agreement between ETC and Richmond Foundation. The Contract stipulates that the Corporation is to subsidize the Project by an annual sum not exceeding €46,500 per annum based on a number of performance criteria. An annual lump sum of €25,500 out of the €46,500 is paid in advance to cover expenses related to the Transition Training and Work Exposure Phases. The Corporation will then pay a further €1,750 for a Job Placement and Follow on Support Service provided with respect to each service-user. To this end, 90 per cent of this sum will be paid for every user who completes 520 hours in gainful employment whereas the remaining 10 per cent will be paid to the Foundation after 24 months in employment. Table 29 provides an estimation of the main sources of income for the ‘Employment for All’ Project.¹⁶

Table 29 : Estimate of the ‘Employment for All’ Project’s main sources of income (2014 and 2015)

Sources of Income	2014	2015
	(€)	(€)
Government’s contributions	30,225	26,961
Fundraising and donations	-	5,000
Other income	760	557
Total	30,985	32,518

Source: NAO estimate from 2014 and 2015 Audited Financial Statements.

7.4.2 Public funds generated through this Agreement during 2014 and 2015 amounted to €30,225 and €26,961, which is equivalent to 98 and 83 per cent of this Programmes’ total income. The remaining income was mainly derived through Richmond Foundation generated fundraising activities, donations as well as other income.

7.5 Salaries and wages were the primary source of expenditure for the ‘Employment for All’ Project

7.5.1 The total cost for the running of the ‘Employment for All’ Project was estimated by NAO at €30,930 and €26,693 for 2014 and 2015 respectively. During the same period, general overheads relating to this Programme amounted to around 17 per cent of the total Programme expenditure. Table 30 refers.

¹⁶ The 2014 and 2015 Financial Statements included other non government subsidized employment services provided by Richmond Foundation together with the ‘Employment for All’ Project. For the scope of this audit, an estimate of the cost line items related to the latter Project was undertaken following discussions with the Foundation. Costs directly related to non government subsidized Programmes were not considered, whereas other general costs were apportioned on the basis that 50 per cent of this expenditure related to the ETC funded Project.

Table 30 : Estimate of the 'Employment for All' Project's main sources of expenditure (2014 and 2015)

Expenditure	2014	2015
	(€)	(€)
Direct expenditure	25,779	22,110
- Salaries and wages	23,704	19,282
- Other direct expenditure	2,075	2,828
Overheads	5,151	4,583
Total	30,930	26,693

Source: NAO estimate based on the 2014 and 2015 Audited Financial Statements.

7.5.2 Salaries and wages of Richmond Foundation staff engaged in the implementation of this Programme, constituted the main direct cost elements of the 'Employment for All' Project. To this end, the NGO expended €23,704 and €19,282, which amount to 92 and 87 per cent of the total direct expenditure incurred during 2014 and 2015 respectively. On the basis of the qualifications made in this Chapter, the 'Employment for All' Project registered a marginal surplus of €55 and €5,825 during the years under review.

7.6 Most participants did not complete the 'Employment for All' Project

7.6.1 In accordance with the provisions of the Agreement, service delivery was evaluated against the following criteria:

- i. Participation rate in the Transition Training and Work Exposure Phases.
- ii. Number of Job Placements made available by Richmond Foundation.
- iii. Other generally accepted requisites adopted for similar Programmes.

Programme participation in the Transition Training and Work Exposure Phases did not always meet the contracted minimum number

7.6.2 The Service Agreement specifies that an annual lump sum of €25,500 is paid to cover the Transition Training and Work Exposure Phases for a minimum of 24 participants. During 2014, the Programme attracted 25 participants for the Training Phase while 20 persons enrolled in the following year. Table 31 refers.

Table 31 : Enrolled participants during 2014 and 2015

Year	Total referrals received from ETC	Referrals not interested / not chosen for the Programme	Transition Training Phase			Work Exposure Phase	Job Placement Phase	Follow-on Support Services
			Number of participants starting the Training Phase	Number of drop outs during Training Phase	Number of participants completing the Training Phase			
2014	68	43	25	10	15	2	4	4
2015	40	20	20	7	13	2	1	1

Note: The results highlighted in this Table are updated as at May 2016.

7.6.3 Table 31 also raises the following issues:

- i. A significant number of persons referred to the Programme did not express an interest in pursuing further or were found to be unsuitable by the NGO to be enrolled. During 2014 and 2015, the number of persons within this category amounted to 63 and 50 per cent of total referrals respectively.
- ii. Ten out of 25 and seven out of 20 service-users enrolled in 2014 and 2015 respectively did not complete the Transition Training Phase of the Programme.
- iii. Only two service-users for each of the two years under review were provided with a work exposure opportunity. However, none of these four users completed the stipulated target of 150 hours since the logged duration ranged from 20 to 80 hours.
- iv. Among the five participants who were provided a Job Placement opportunity, only two completed 520 hours in gainful employment.
- v. None of the 45 enrolled participants during 2014 and 2015 completed 24 months in employment.

7.6.4 The foregoing raises issues, which to varying degrees, relate to the suitability of referrals and / or Programme content. Richmond Foundation contended that the Work Exposure Phase is extremely difficult to accomplish due to stigma with mental health problems. Moreover, service-users do not want to attend the Job Exposure Phase as they are not paid for the 150 hours, so they are not motivated for this exposure. Companies are not comfortable to offer work exposure opportunities because these entities may not be in a position to offer full employment afterwards. The main reason for such a scenario is contended to be that companies are not given the appropriate incentives to accept Programme participants in the Work Exposure Phase.

7.6.5 Richmond Foundation also contended that companies are asked by different other NGOs, as well as governmental entities, including ETC, for similar job exposure opportunities. Such a state of affairs limits the number of work exposures and job placements opportunities that are available. Apart from increasing competition within this field, this also created duplication of work from various entities. These initiatives were all focusing to find employment for vulnerable persons, practically within the same category of people. While the initiative in this respect is laudable, it raises the issue that all efforts by the various players focus on the same companies, on the basis of their receptiveness to the Programme and, more importantly, the types of job opportunities which could be potentially available. However, the concern remains that there is a limit to the opportunities, which these companies can provide. Moreover, the circumstances under discussion are further impeded by the stigmatisation of mental health problems.

In 2014 and 2015, the Programme led to only five Job Placements opportunities

7.6.6 As part of the 'Employment for All' Project, Richmond Foundation is to make available a number of job placements and to place enrolled service-users in gainful employment. Schedule 1 of the Agreement states that for a job placement to be considered successful, the individual is to stay in employment for a minimum of 520 hours.

7.6.7 It transpired that out of the 45 participants from those referred during 2014 and 2015, only five participated in the Job Placement Phase, where only two participants completed successfully the minimum target of 520 hours in employment.

Services provided within the 'Employment for All' Project complied with generally accepted practices

7.6.8 During the two years under review, the delivery of services by Richmond Foundation with respect to the 'Employment for All' Project generally adhered to accepted practices within the specialized field. In addition to the contractual provisions defining service delivery, the National Audit Office (NAO) established a number of other criteria against which to evaluate Programme's outputs. The service delivery criteria adopted mainly related to generally accepted requisites for similar Programmes. Such criteria included the following:

i. Quality Management Systems

The Richmond Foundation is a holder and operates a Quality Management System (QMS) that complies with the requirements of the International Organization for Standardization (ISO). During July 2015, the MCCA specifically audited the Employment Services, which incorporates the 'Employment for All' Project, to confirm the continuation of this ISO certification. According to the certifying agency, the company's QMS was well implemented and maintained.

ii. No complaints were registered

This audit did not find evidence of any complaints for the years 2014 and 2015.

7.7 The low success rate in terms of long-term employment influenced value for money considerations

7.7.1 The determination of the value for money of the 'Employment for All' Programme assumed two main elements, namely its effectiveness and the extent to which it was delivered economically. In view of the complex social implications involved, such an assessment is subject to various limitations, particularly with respect the development of qualitative and quantitative assessment criteria.

7.7.2 Criteria defining Programme effectiveness revolves around the social benefits associated with gainful employment. To this end, Programme statistics illustrate the practical difficulties and social complexities involved in engaging persons with mental health problems in long-term opportunities. Over the two years under review, the Programme experienced a situation where only two out of the 45 enrolled participants fully benefitted from this initiative and partially fulfilled the initiative's objectives of maintaining 520 hours in gainful employment. On the other hand, none of the participants managed to remain in employment for a two-year period. However, neither the contract nor other local sources provided appropriate performance indicators or the comparative elements to enable benchmarking.

7.7.3 The Programme's Contract stipulates a maximum fee of €46,500 for a minimum of 24 participants. This implies that if the Programme's objectives were fully attained and the Programme operated at its stipulated capacity, then the cost per participant would amount to €1,938. On the other hand, the Programme operated well below its capacity.

7.7.4 A case in point relates to the Transition Training and Work Exposure Phases consisting of 150 hours each. The cost for these two phases amounted to €25,500. However, as the Programme did not attract the anticipated number and did not manage to retain most participants to fulfill these two phases, the NAO prudently estimates that less than half of the allocated hours were actually utilized for the same cost. Nevertheless, it is acknowledged that, irrespective of the number of participants, Richmond Foundation still delivered the training Programme and thus incurred the same amount of fixed costs.

7.8 Conclusion

- 7.8.1 This review raised concerns about the extent to which the Programme's anticipated targets were fulfilled. In turn, the number attracted by the Programme and the number of participants who fully completed the Transition Training, Work Exposure and retained gainful employment for two or more years also influenced the extent to which the Programme adhered to value for money considerations.
- 7.8.2 Nevertheless, the complex environment within which this course was given needs to be taken into consideration, particularly as a number of critical variables are at play. These relate to the participants' aptitude and abilities to engage in gainful employment, employers' willingness to support such initiatives as well as the real danger of participants falling prey to the benefits trap – on the assumption that the opportunity cost of forfeiting welfare payments would outweigh the advantages of gainful employment. However, the latter argument does not give adequate weighting to the social benefits of gainful employment, not least the dignity associated with a more independent life-style brought about through long-term job retention.
- 7.8.3 Although the ETC terminated the Agreement with Richmond Foundation, this Office reiterates that the real value of such Programmes does not solely concern economic considerations. The provision of opportunities for persons with mental health problems to lead a more independent life-style trumps all other factors.

Appendix I – Best practice contractual clauses

The National Audit Office’s (NAO’s) review of the six Service Agreements between Governmental entities and Richmond Foundation revealed that a number of best practice contractual clauses were omitted from the respective Agreements.¹⁷ These clauses are important to safeguard interest of both parties privy to the Contract. Moreover, such provisions apart from offering protection to the two contracting sides also ensure that the Contract is effectively managed and monitored. Table A presents the omitted clauses from the respective six Agreements.

Table A : Omitted best practice contractual clauses

Omitted best practice contractual clauses	Agreement for the Provision of Home Support and Hostel Services		KIDs	Villa Chelsea	Supportive Housing Scheme	Employment for All
	Home Support	Hostel Services	(MFSS)	(MSDC)	(MSDC)	(ETC)
	(MEH)					
Confidentiality and data protection			x	x		
Conflict of interest	x	x	x	x	x	x
Insurance			x	x	x	x
Penalties and incentives	x	x	x	x	x	x
Subcontracting			x	x	x	x
Transition arrangements			x	x	x	x

The ensuing paragraphs provide a brief explanation of each of the omitted best practice contractual clauses as portrayed by Table A.

Confidentiality and Data Protection

Confidential information should be managed in accordance with any relevant legislation and policies and the confidentiality provisions in the Agreement. The contractual parties should ensure that the Contract contains clauses providing for the protection and handling of confidential information. Furthermore, the contractual parties shall ensure that personal data is processed and collected in accordance with the Data Protection Act and with regulations made under this Act.

Conflict of interest

‘*Conflict of interest*’ provisions would demand that any potential conflict of interest from any individuals pertaining to either signatory is to be immediately disclosed. Moreover, such a clause could also encompass potential remedial action, including the termination of the Agreement if a conflict of interest from either end impinges on the obligation emanating from the Contract. In the absence of such provisos, neither party nor its employees are obliged to declare situations where their personal interests would conflict with the terms and conditions of the Agreement.

¹⁷ Best practice contractual clauses were derived from Australian National Audit Office, 2012, *Developing and Managing Contracts – Getting the right outcome, achieving value for money*.

Insurance

'*Insurance*' related provisions should take into account the types and levels of cover relevant to the nature, value and risks associated with the service provided. Furthermore, insurance clauses are at least to consider, claims relating to bodily injury, including accidental death and any property damage arising from the service provided as indicated in the Service Agreement.

Penalties and incentives

'*Penalties and incentives*' clauses are important upon the way payment and performance regimes will interact. This includes incentives that encourage the service provider to deliver the services at a higher standard. Moreover, the Agreement can also include penalties for service provider's underperformance. Any mechanisms that link payment with performance (either by penalty or incentive) should always be clearly specified in the Contract.

Subcontracting

In relation to '*subcontracting*', Contract clauses should require the service provider to provide the details of all subcontractors engaged in the procurement and that the Non Governmental Organization (NGO) retains responsibility for ensuring that subcontractors perform their obligations. In situations that such clauses are excluded from an Agreement, this is seen as increasing operational risks in the eventuality that the service provider resorts to subcontracting. In these circumstances, operational risk is particularly increased since the Contract lacks provisions ensuring that the service provider informs the service purchaser of all the pertinent details relating to subcontracting.

Transition Arrangements

Clauses specifying '*transition arrangements*' refer to the contractual parties' responsibilities at the termination of the Agreement. This may entail that the service provider prepares a transition-out strategy or plan at a specified time. The date set for its preparation should allow sufficient time for all required actions to be addressed by both the service provider and the acquiring entity before the Contract ends. Where the strategy or plan is prepared at the commencement of the Agreement, provisions should be made for it to be reviewed and updated as necessary before the Contract expires.

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