



Western Australian
Future Health Research
& Innovation Fund

Western Australian Future Health Research and Innovation Fund

Governance Framework

Office of Medical Research and Innovation

Office of the Deputy Director General

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1. Introduction

The Western Australian Future Health Research and Innovation Fund (the FHRI Fund) scheme was established in June 2020, enabled by the [Western Australian Future Health Research and Innovation Fund Act 2012](#) (the Act). The Act builds on the *Western Australian Future Fund Act 2012*, which Parliament passed amendments to in May 2020.

The Act repurposes the Western Australian Future Fund (WAFF) and establishes the FHRI Fund scheme. The WAFF was established with seed capital from the Royalties for Regions Fund to set aside and accumulate a portion of the revenue from the State's finite mineral resources for the benefit of future generations.

The Minister for Medical Research (the Minister) has overall responsibility for the Act but the Treasurer is responsible for those sections related to the management and investment of the capital.

The capital-holding account of the FHRI Fund scheme will be maintained as a long-term sovereign wealth fund, the investment income from which will provide the financing stream for health and medical research (hereafter referred to as 'research') and health and medical innovation and commercialisation (hereafter referred to as 'innovation'). By enshrining this financing stream in legislation, a long-term funding source for research and innovation has been secured, with the ultimate aim of improving the health of Western Australians and the prosperity of the State.

Disbursements will be strategically targeted and robust, transparent, peer-reviewed selection processes will be used to ensure the world-class quality of the proposals funded.

The FHRI Fund scheme has two funding streams: one for research; and one for innovation. In many instances, research and innovation occur together, but this is not always the case and commercialisation may result from either. Therefore, the FHRI Fund scheme will divide funding between these streams but with consideration given to how the streams can work together.

For the purposes of the *FHRI Fund Governance Framework* (the *Governance Framework*), the definitions below are used for research and innovation.

The term 'research' is inclusive of¹:

- (a) research to understand human health, wellbeing and disease, and the biological, behavioural, social and environmental factors that contribute to these*
- (b) research to measure the magnitude and distribution of a health problem*
- (c) research to develop solutions, interventions, products and technologies that could contribute to improving human health and wellbeing*
- (d) research to understand how interventions, policies and programs aimed at improving human health and wellbeing can be most effectively delivered.*

¹ Adapted from the definition of 'research for health' used in the World Health Organization Strategy on Research for Health, 2012

The term '**innovation**' is inclusive of²:

- (a) the application and commercialisation of the outputs of research for the purpose of improving the health and wellbeing of human beings
- (b) the development and delivery of new or improved health policies, systems, and services and delivery methods that seek to improve people's health.

It is noted that the FHRI Fund scheme does not provide funding that would subsidise activities that a potential funding recipient who provides health services should be undertaking as part of their normal business activities. This may include quality improvement activities, or delivery of clinical or health services for which evidence of efficacy already exists.

One of the expected benefits of the FHRI Fund scheme is that it will help Western Australian researchers and innovators to obtain a greater share of national funding from the National Health and Medical Research Council (NHMRC), Australian Research Council (ARC) and the Australian Government's Medical Research Future Fund (MRFF), rather than replacing such funding. It is also expected that the FHRI Fund scheme will work synergistically with funding programs of other State Government agencies that support research and innovation, promoting coordination, preventing duplication and maximising the impact of these programs. Furthermore, FHRI Fund scheme moneys will enable access to international funding sources and partnerships with non-government, charitable and commercial entities.

1.1. Purpose

The *Governance Framework* provides guidance in relation to key features of the FHRI Fund scheme that support its effective and responsible operation and promotes accountability and transparency of decision-making.

The *Governance Framework* defines the roles and responsibilities of decision-makers and advisers, sets out Strategic Instruments that will guide how the FHRI Fund scheme supports research and innovation, and describes the reporting, debiting and crediting arrangements for the accounts established under this scheme.

Roles and responsibilities of decision-makers and advisers are designed to support the purpose of the *Governance Framework*, thereby:

- promoting consistency in the structure and function of the *Governance Framework*'s components over the long-term
- reducing duplication of roles
- preventing scope creep in the decision-makers' and advisers' roles
- incorporating consideration of risk in all elements of the governance structure.

1.2. Legislative context

The *Governance Framework* has both statutory and policy underpinnings. The Act sets out the overarching objective for the FHRI Fund scheme, which is to provide a secure source of funding to support research and innovation that contribute to:

- (a) improving the financial sustainability of Western Australia's (WA's) health system
- (b) improving the health and wellbeing of Western Australians
- (c) improving WA's economic prosperity

² Adapted from the definition used in the Medical Research Future Fund Act 2015 (Cth) and from the World Health Organization Innovation Group definition (online; accessed 5/7/2019, <https://www.who.int/life-course/about/who-health-innovation-group/en/>)

- (d) advancing WA to being, or maintaining WA's position as, a national or international leader in research and innovation.

Other important provisions in the Act include the following:

- Two accounts are established:
 - o The FHRI Fund, which is the capital-holding account. From here on in this document, this will be referred to as the 'Treasury FHRI Fund' (see section 4.1) to avoid confusion with the overarching FHRI Fund scheme.
 - o The FHRI Account (see section 4.2), which is the operational account that is used to support Programs and Initiatives (see section 3.3).
- The Minister must establish and maintain an advisory group (the Advisory Council, see section 2.3) to provide advice to the Minister and the Department of Health regarding how moneys in the FHRI Account are applied.
- The Act provides that the Minister must prepare and maintain a *Governance Framework* that includes provision for:
 - o a Strategy to be prepared and maintained (see section 3.1)
 - o the setting of priorities (referred to in the *Governance Framework* as Priority Goals, see section 3.2)
 - o the making and approving of arrangements and for the administration of arrangements made or approved.
- The instrument of appointment for Advisory Council members will include a conflict of interest condition that requires the member to disclose conflicts of interest and specifies how and to whom the disclosure is made and any other steps that the member must take in relation to the conflict of interest. The Act also requires that the Department of Health Chief Executive Officer (the Director General) will keep a record of disclosed conflicts of interest and make a summary of the record available for inspection.

The *Governance Framework* also specifies that the Advisory Council provides expert oversight for and/or develops key Strategic Instruments of the *Governance Framework* (see section 3). The Advisory Council is guided by the Act, the *Governance Framework*, its own governing documents and, where applicable, Public Sector Commission policies.

The State Government has roles and responsibilities in the FHRI Fund scheme governance structure (see section 2.1). These roles are subject to legislation applicable to government agencies, which in the context of the FHRI Fund scheme may include the Financial Management Act 2006, the Public Sector Management Act 1994, the Auditor General Act 2006, the State Records Act 2000 and the Freedom of Information Act 1992, among others.

1.3. Key principles

The key principles of the *Governance Framework* have been informed by the Public Sector Commission's *Principles of good governance for boards and committees* and the design principles identified in the *Baseline review for the Future Health Research and Innovation (FHRI) Fund – Final Report* (Deloitte Access Economics, September 2018).

These key principles are as follows:

- The roles and responsibilities of the decision-makers and advisers in the governance structure are clear and understood.
- A culture of responsible and ethical decision-making is promoted.

- Decision-making processes are transparent and explicitly deal with potential, perceived and actual conflicts of interest.
- Accountability is appropriately assigned and understood.
- Relevant risks are identified and managed.

2. FHRI Fund governance structure decision-makers, advisers and operational support

The FHRI Fund scheme governance structure contains government and non-government entities, some of which are well-established, while others are newly created for the FHRI Fund scheme. This section defines the different decision-makers, advisers and operational support of the *Governance Framework*, including their roles, responsibilities and key features. A diagrammatic representation of the relationships between the *Governance Framework's* decision-makers, advisers and operational support is presented in Appendix A. A process map of the interaction between decision-makers, advisers and operational support is presented in Appendix B.

2.1. The State Government

As the remit of the FHRI Fund scheme spans government agencies, its activities must take into account relevant government policies and strategies.

Cabinet, the Minister and the Treasurer each has a direct role in the governance of the FHRI Fund scheme, as described below.

2.1.1. Cabinet

The Minister approves the Strategy (see section 3.1), which is subsequently presented to Cabinet for its reference. Cabinet, via the Expenditure Review Committee's (ERC's) role in the State Government's annual budget process, also advises on annual expenditure for FHRI Fund scheme Programs and Initiatives.

2.1.2. The Minister for Medical Research

The Minister has overall responsibility for the FHRI Fund scheme and its enabling legislation due to the alignment of the fund's purpose with the functions of the Medical Research portfolio. The Minister is also the State Government sponsor of the FHRI Fund scheme, responsible for presenting the Strategy to Cabinet, tabling in Parliament the *Governance Framework*, Strategy, Priority Goals and details of Programs and Initiatives, and reporting on the operational performance of the FHRI Account (see section 4.2).

The Minister is responsible for appointing members to the Advisory Council and setting the conditions for a member's appointment.

The Minister approves the Strategy and Priority Goals (see sections 3.1 and 3.2) on the recommendation of the Advisory Council (see section 2.3). The Programs and Initiatives (referred to as research and innovation 'arrangements' in the Act) proposed by the Director General are approved or rejected by the Minister after considering the Advisory Council's recommendation regarding the proposed Programs and Initiatives (see sections 3.3).

The Minister may only approve Strategies and Priority Goals that are recommended by the Advisory Council, and Programs and Initiatives that are proposed by the Director General. The Minister cannot instruct the Advisory Council to recommend a Strategy or Priority Goal, or instruct the Director General to propose a Program or Initiative.

The Evaluation Framework (see section 8) is developed by the Department of Health and approved by the Minister. The Minister also approves evaluation reports, conducted in accordance with the Evaluation Framework, upon the recommendation of the Advisory Council.

The Act provides that some of the Minister's powers may be delegated, where it is necessary and appropriate to do so. In practice, this will most often occur in relation to the execution of grants and contracts. Delegations will be made in accordance with the FHRI Fund scheme Instrument of Delegation.

2.1.3. The Treasurer

The Treasurer may engage the WA Treasury Corporation to manage investment of the Treasury FHRI Fund's capital.

2.2. The Department of Health

The Department of Health will assist the Minister to administer the Act and is the State Government agency with responsibility for managing and/or supporting the decision-makers and advisers of the FHRI Fund scheme. The Director General and the Western Australian Office of Medical Research and Innovation (OMRI) are both directly involved in the FHRI Fund scheme governance structure.

2.2.1. Director General

The Director General performs a central coordination role for the FHRI Fund scheme and administers the FHRI Account on behalf of the Minister. The Director General recommends the Programs and Initiatives to the Minister. The Act requires the Director General to publish online the *Governance Framework*, the Strategic Instruments and details of any other documents of strategic importance to the FHRI Fund scheme. The Director General is also a non-voting member of the Advisory Council. OMRI reports to the Director General.

2.2.2. The Office of Medical Research and Innovation

OMRI is a unit within the Department of Health that is funded by the Department of Health, not from the FHRI Account. The Department of Health will ensure that OMRI has sufficient resources to support the FHRI Fund scheme. OMRI provides the operational capacity for the FHRI Fund scheme, in addition to other functions such as developing research and innovation policy for the Department of Health.

OMRI supports the Advisory Council to develop the Strategy and Priority Goals, is responsible for developing and maintaining the *Governance Framework* and Evaluation Framework for the FHRI Fund scheme (see section 9), implementing FHRI Fund scheme Programs and Initiatives and managing them post-award, and provides secretariat support to the Advisory Council. OMRI assembles Expert Committees to support the Advisory Council, the Minister and the Department of Health as required.

The Advisory Council, Expert Committees and OMRI are all subject to a three-yearly Performance Review, the outcomes of which will be published in the FHRI Fund scheme Annual Report. Key performance criteria for OMRI include effectively supporting the Advisory Council and managing Expert Committees. Additional criteria include ensuring integrity and efficiency in the development, implementation and post-award management of Programs and Initiatives.

2.3. The FHRI Fund Advisory Council

2.3.1. Functions

The Act provides that the Minister must establish and maintain an advisory group (the Advisory Council).

The functions of the Advisory Council under the Act include:

- Upon request by the Minister or the Department of Health, the Advisory Council will provide advice regarding matters relevant to supporting research and innovation that contribute to achieving the object of the Act.
- Upon request by the Minister or the Department of Health, the Advisory Council will provide advice in relation to making or approving arrangements (Programs and Initiatives in *Governance Framework* terminology).
- The Minister must seek a recommendation from the Advisory Council regarding how money standing to the credit of the FHRI Account should be applied during the financial year. The Minister must consider the recommendation subsequently received before making, or applying FHRI Account moneys to, arrangements (i.e. Programs and Initiatives) in the financial year.
- If directed by the Minister, the Advisory Council's recommendation will state whether FHRI Account moneys should or should not be applied to a proposal, or if the proposal should receive funding if modifications set out in the recommendation are made.
- The Advisory Council's recommendation and the Minister's response will be tabled in both houses of Parliament and published online.

The *Governance Framework* sets out additional functions of the Advisory Council, as listed below:

- The Advisory Council is responsible for developing the Strategy and Priority Goals and provides advice on the relative proportion of funding that should be allocated between Priority Goals.
- The Advisory Council leads consultations that will determine the Strategy and Priority Goals.
- The Advisory Council oversees evaluations of the performance and benefits of the FHRI Fund scheme and presents these to the Minister.
- The Advisory Council has an assurance role in that it advises the Minister on whether Programs and Initiatives have been developed appropriately and whether they are aligned with the Priority Goals.
- The Advisory Council does not have a direct role in determining recipients of funding but does provide assurance that the peer-review or other funding determination methods used have been carried out appropriately.
- The Advisory Council will lead the development of position and discussion papers on emerging issues or opportunities.

- The Advisory Council is also responsible for the vision statement for the FHRI Fund scheme and its periodic review. The vision statement describes what the FHRI Fund scheme is intended to become in the future and the things it will achieve. The Advisory Council will consult with stakeholders, including the government, to determine the vision statement.

2.3.2. Membership

The Act provides that the Advisory Council will consist of the members listed below.

- A person with experience representing the community.
- A person considered to be expert in research.
- A person considered to be expert in innovation.
- The Director General, or nominee (non-voting).
- The Chief Executive Officer, or nominee, of the State Government Department that the Minister considers is most relevant to the needs of the FHRI Fund scheme (non-voting).
- At least three other individuals whom, taken together, the Minister considers will provide a suitable blend of expertise and experience.

The Minister may nominate one of the above as the Chair other than the members outlined in (iv) and (v). The Minister appoints members for a term of up to five years and may reappoint a member to the Advisory Council.

At least one of the Advisory Council members will have experience in dealing with issues related to Aboriginal health. This is in recognition of the State Government's commitment to building a new relationship with Aboriginal people and communities and acknowledges the complex health issues that currently face Aboriginal people and communities in WA. Under the *Governance Framework*, it is preferred that this member will be an Aboriginal person.

At least one member of the Advisory Council will have significant experience in or knowledge of country and regional WA health issues.

The *Governance Framework* sets out additional requirements for the Advisory Council, which are described below:

- In order to provide additional links to national and international opportunities while also minimising perceived conflicts of interest, the research and innovation experts (see (ii) and (iii) above) will not normally be based in WA. At all times, at least one of the research and innovation expert positions will not be based in WA.
- Regarding (vi) above, these members will be selected from the following fields of expertise:
 - o Business, finance, investment, law or corporate governance.
 - o Philanthropic, charitable, or not-for-profit sectors.
- Terms of members will be staggered such that no more than half of members' terms will finish at the same time.
- Members may be reappointed but may not serve for more than 10 years in total. Persons nominated by members appointed under (iv) and (v) may serve for no more than three years in total and are not eligible for reappointment. These restrictions recognise that under the Act such nominees are not subject to Cabinet appointment processes and are not nominated by the Minister and, therefore, require additional governance.

- The Chair is responsible for monitoring the collective knowledge and experience balance of the Advisory Council and notifying the Minister of any current or predicted gaps. If the Chair identifies that changes to membership of the Advisory Council will result in gaps that cannot be addressed within the preferred eight-member Advisory Council, additional members may be appointed (subject to approval by the Minister).
- In appointing new members to the Advisory Council, the Minister must be satisfied that the required collective knowledge and experience balance will be maintained.

The Act also provides protection for members, and former members, from civil liability for acts done in good faith as members on the Advisory Council.

2.3.3. Governance

The Advisory Council reports to the Minister. The Act requires that the Minister establishes and maintains the Advisory Council. The Minister may determine matters related to the operations and procedures of the Advisory Council. The Act also specifies the Advisory Council's functions and membership.

The provisions in the Act are supported by governing documents for the Advisory Council, which are aligned with recommendations and guidelines of the Public Sector Commission, and include a Charter, Strategic Plan and a Code of Conduct. The Act provides that conditions regarding disclosure, management and recording of conflicts of interest are included in Advisory Council members' terms of appointment. This legislative requirement is supported by Conflicts of Interest, and Gifts, Benefits and Hospitality policies. Advisory Council governing documents will be published online.

The performance of the Advisory Council and of individual members is reviewed every three years. The outcomes of these reviews will be included in the Annual Report for the FHRI Fund scheme (see section 7). Key performance criteria include adherence to the Advisory Council's Strategic Plan and relevant governance policies, transparency of recommendations, particularly in regard to Priority Goals, and effective engagement with stakeholders. Performance Reviews are considered by the Minister against clearly defined standards in the Advisory Council's Charter and Strategic Plan.

The Advisory Council does not have a direct role in determining Programs, Initiatives, or recipients of funding from the FHRI Fund scheme.

2.3.4. Remuneration, allowances and expenses of the Advisory Council

The Act provides that members, other than those who are public sector employees, may be remunerated to an amount decided by the Minister based on the recommendation of the Public Sector Commissioner. Such remuneration and all other expenses and costs that are reasonably incurred by the Advisory Council in the performance of its functions will be paid for by the Department of Health and will not be drawn from the FHRI Account.

2.3.5. Disclosure of interests

All Advisory Council members are required to disclose interests that are relevant to the function of the Advisory Council and have potential to be a conflict of interest to that function. Failure to disclose an interest prior to the relevant matter being considered by the Advisory Council may be grounds for the termination of appointment of a member. Processes for disclosing interests are described in the Advisory Council's Conflicts of Interest Policy.

2.3.6. Termination

The Minister may terminate the appointment of a member, other than the members outlined in (iv) and (v). Reasons for termination may include if, in the opinion of the Minister, the member in question: is unable to perform the functions of the office; neglects his or her duties; or has done anything, or omitted to do anything, that may adversely affect the functioning of the Advisory Council. Grounds for termination may be established in the appointment instrument of a member or in the governance documents for the Advisory Council. While the positions outlined in (iv) and (v) cannot be terminated, the Minister may terminate a nominee of these members for the same reasons as are outlined above for voting members of the Advisory Council. If a nominee of the positions outlined in (iv) or (v) is terminated, the relevant Chief Executive Officer must resume as a member or provide a new nominee.

2.4. Expert Committees

Expert Committees may be established to provide advice on specific issues on an ad hoc basis, and in regard to Programs and Initiatives and the assessment of proposals for funding. Expert Committees are normally time-limited and each will have a clearly defined scope as well as more general terms of reference related to conflicts of interest and ethical conduct. However, standing Expert Committees may be established where ongoing advice is required, such as for innovation. Existing State Government advisory groups may also be utilised in the function of an Expert Committee but will maintain their own governance arrangements. Interstate and international members may be enlisted to Expert Committees as required.

The three-yearly Performance Review also applies to Expert Committees that were established in the three-year period being reviewed. Key performance criteria for Expert Committees include appropriateness and transparency of recommendations, particularly in regard to peer-review selection processes, and the quality and efficiency of their meetings. Performance of Expert Committees will be included in the Annual Report that corresponds to the year in which the Performance Review is completed.

Expert Committees are accountable to OMRI but may be established at the request of the Minister, the Advisory Council, the Director General or OMRI itself.

3. FHRI Fund scheme supporting Strategic Instruments

The FHRI Fund scheme has a mandate to strategically pursue fulfilment of the object set out in its enabling legislation. Three main instruments are available to the FHRI Fund scheme to assist in determining where funding support should be focussed, and how. A flow diagram showing the development cycle of the instruments is presented in Appendix C.

3.1. The FHRI Fund Strategy

The Strategy provides a high-level vision and goals for research and innovation in WA and forms the basis from which the Priority Goals are derived. The Advisory Council leads development of the Strategy and the extensive consultations that inform this process. The Advisory Council recommends the Strategy to the Minister for approval. Consultations will include consumers, private industry, investors, philanthropists, policy-makers, research and innovation funders, research and innovation organisations, researchers, innovators and educators. The Strategy will also be informed by State Government-endorsed reports and reviews that are relevant to research and innovation.

Approximate gender equity will be achieved in group consultations and inclusion of a high proportion of early- and mid-career stakeholders will be prioritised. OMRI supports the Advisory Council in the development of the Strategy, including assisting with the consultations led by the Advisory Council. The Act provides that the Strategy will be tabled in both Houses of Parliament and published online.

3.2. The FHRI Fund Priority Goals

A Priority Goal is an approach, need or opportunity that has been determined to be critical to achieving the vision of the Strategy that is in place at the time and that aligns with the purpose of the FHRI Fund scheme, as described in the Object of the Act.

The Advisory Council is responsible for developing the Priority Goals. All Priority Goals require approval by the Minister. The Act provides that the Priority Goals will be tabled in both Houses of Parliament and published online. The Act also provides that in the first year of the FHRI Fund scheme (2020/21), the Minister will give priority to qualifying activities that relate to human coronaviruses with pandemic potential. Such coronavirus priorities are not required to be aligned to the Strategy and are not subject to a recommendation by the Advisory Council before FHRI Account moneys may be applied to them.

The Minister cannot approve Priority Goals other than those recommended by the Advisory Council, nor may she/he instruct the Advisory Council to recommend a particular Priority Goal. In some instances, the Advisory Council may provide the Minister with Priority Goal options from which to choose. The Advisory Council will consider the relative proportion of funding (between one and 100 per cent) to be allocated to each Priority Goal in a set. The funding proportions determined by the Advisory Council will inform the funding amount made available to Programs and Initiatives for that Priority Goal. The full proportion of funding allocated to a Priority Goal will only be committed if the applications received are of a suitable quality. Each set of Priority Goals will be published online once they have been approved by the Minister. A systematic process for determining Priority Goals will be approved by the Advisory Council and published online.

Priority Goals will be reviewed by the Advisory Council at the mid-point of their lifecycle. The purpose of the review is to refine and/or refocus the Priority Goals to ensure continued alignment with the Strategy and the objectives of the FHRI Fund scheme. The Advisory Council may propose that Priority Goals are added or removed and the relative proportion of funding allocated to each may be amended to reflect changing needs and opportunities and the quality of submissions being received. All proposed changes will be approved by the Minister, tabled in Parliament and published online.

3.3. The FHRI Fund Programs and Initiatives

A Program or Initiative is a FHRI Fund scheme mechanism through which funding is directed to a specific purpose and that contributes to achieving one or more Priority Goal.

Programs and Initiatives are approved by the Minister based on a proposal by the Director General. However, the Act provides that the Minister must seek a recommendation from the Advisory Council and consider the recommendation subsequently received before making, or applying FHRI Account moneys to, research and innovation arrangements (Programs and Initiatives in *Governance Framework* terminology) in the financial year. In practice, the Advisory Council will consider the Programs and Initiatives proposed by the Director General and provide a recommendation on whether the Minister should approve them.

The Minister cannot approve Programs and Initiatives other than those proposed by the Director General, nor may he/she instruct the Director General to propose a Program or Initiative. In some instances, the Director General may provide the Minister with Program or Initiative options from which to choose.

The Department of Health is responsible for developing and implementing Programs and Initiatives and managing them post-award. However, the Advisory Council provides oversight and assurance that the Programs and Initiatives have been developed and implemented appropriately and in alignment with the Priority Goals.

A diagrammatic representation of the implementation of hypothetical Programs and Initiatives is presented in Appendix D. Further details are provided below.

3.3.1. Design features

- Programs and Initiatives will be designed to help Western Australian researchers and innovators to obtain a greater share of national funding from the NHMRC, ARC and the MRFF, rather than replacing such funding.
- Wherever possible and appropriate, Programs and Initiatives will be based around co-funded, collaborative arrangements.
- Programs and Initiatives will be informed by engagement with local funders, such as other State Government agencies and charitable organisations, to explore partnership opportunities, prevent duplication of effort and encourage greater, rather than reduced, funding commitments from such funders.
- Within relevant legislative constraints, Programs and Initiatives may result in the State Government receiving equity or other consideration in return for the funding provided.
- The Advisory Council provides assurance that the Programs and Initiatives align with one or more Priority Goal that is in place at the time.

3.3.2. Eligibility and selection processes

- It is acknowledged that research and innovation are increasingly national and international cooperative undertakings. However, Programs and Initiatives will provide direct returns to WA. Therefore, the leads for Programs and Initiatives are expected to be based in WA and a large proportion of the funding allocated will be expended in the State.
- Competitive, peer-review selection processes, based on those used by the NHMRC, will be the primary means by which recipients of funding through Programs and Initiatives will be determined. However, innovative selection processes may be required in some instances to fulfil the purpose of a given Program or Initiative. The

Advisory Council provides assurance that appropriate selection methods are chosen for Programs and Initiatives and due process has been followed.

- Quality improvement, clinical audit and standard clinical practice activities of WA Health Service Providers (HSPs) will not be eligible for support by the FHRI Fund scheme. Likewise, implementation activities that do not contain a substantial new research and/or innovation component are considered to be the responsibility of HSPs and will not be eligible for funding through Programs or Initiatives.
- Information regarding the outcomes from the selection process for each Program and Initiative, including features of the selection process used, will be published online, tabled in each House of Parliament (as provided in the Act) and in the Annual Report after funding decisions are made (see section 7).

3.3.3. Market-Led Proposals

The *Governance Framework* recognises that the research and innovation sectors may identify valuable opportunities that align with the Priority Goals in place at the time but are not appropriate for application to an open Program or Initiative. Therefore, the FHRI Fund scheme will utilise a process based on the State Government's Market-led Proposals (MLP) Policy and processes to provide a clear, transparent and consistent pathway for consideration of such 'market-led' proposals. Key features of the MLP process that will be incorporated in the FHRI Fund process include the following:

- Guidance documents are provided by the Department of Finance, including eligibility and evaluation criteria, level of information required, timelines and templates.
- It is encouraged that potential proposals are discussed with the MLP Secretariat prior to submission.
- Proposals must clearly align with one or more State priority and with the overarching criteria for MLPs (Strategic Alignment; Public interest; Value for money; Feasibility; Risk; and Justification for exclusive negotiation). Proposals considered through the lead agency pathway, where this is the Department of Health, must also align to one or more current Priority Goal.
- Proposals must be submitted to the MLP Secretariat, which will determine if the proposal should proceed through the central pathway (administered by the MLP Steering Committee), or the lead agency pathway (the Department of Health for most FHRI Fund scheme proposals).
- Four stages of review are used, regardless of whether the proposal progresses through the central or lead agency pathways: Pre-qualification review; Concept evaluation (Stage 1); Business case evaluation (Stage 2); Negotiation of final binding offer (Stage 3).
- A summary of each MLP received and the outcome of the evaluation process is disclosed at the end of stages 1, 2 and 3.
- Government recognises the confidential nature of MLP submissions and will endeavour to treat them accordingly, subject to the disclosure contemplated by the MLP Policy and terms and conditions, and government's public disclosure and accountability obligations. Only those persons administering the MLP Policy or involved in the assessment of a specific proposal will have access to the proponent's information.
- While government will endeavour to take all reasonable steps to protect the intellectual property of the proponent, proponents should be aware that it participates in the MLP process at its own risk. Therefore, proponents are advised to carefully consider the information to be disclosed publicly throughout the MLP process.

Proposals seeking FHRI Fund scheme support submitted directly to the Minister, the Advisory Council, or OMRI will not be considered, and proponents will be advised to contact the MLP Secretariat.

Potential proponents are advised that a proposal submitted to the MLP process that does not meet all the MLP evaluation criteria may be referred to the lead agency for consideration (see section 3.5 of the MLP Policy, January 2020). Research and innovation-related proposals seeking FHRI Fund scheme support will be managed by the Department of Health as lead agency and the MLP process will still be followed – including public reporting on proposals – but alternate procurement pathways may be used. Assessment of such proposals will follow FHRI Fund scheme principles such as transparency of decision-making and peer review. If a proposal is found to be suitable and funding is available, final approval will be provided by the Minister for Health.

Funding is not reserved from the FHRI Fund scheme's budget for MLPs. Therefore, the capacity of the FHRI Fund scheme to support eligible proposals will depend on the availability of uncommitted FHRI Fund scheme moneys, an opportunity being available to reprioritise committed moneys (generally only available at the mid-point review of Priority Goals) or an alternate government funding source.

4. Financial management

The FHRI Fund scheme is supported by two accounts established in the Act: a Treasurer's special purpose account (the Treasury FHRI Fund) and a Department of Health agency special purpose account (the FHRI Account). Each of the Departments of Treasury and Health is responsible for the management of their respective accounts and does so in accordance with relevant accounting standards and legislation.

4.1. The Treasury FHRI Fund

Moneys to the credit of the Treasury FHRI Fund are invested by the Treasurer with the WA Treasury Corporation under the Financial Management Act 2006 and in a manner that is consistent with the investment and credit policies approved by the Treasurer. The Treasury FHRI Fund is reported in an appendix to the Economic and Fiscal Outlook budget paper of the State Government (Budget Paper 3). The Treasury FHRI Fund is credited annually with one per cent of the State's forecast royalty income for the financial year, investment income and surplus moneys from the FHRI Account (subject to a joint written direction of the Minister and the Treasurer).

The Treasury FHRI Fund will be charged annually for an amount equivalent to forecast investment income. The investment income is to be forecast at budget time and will be articulated in an Appendix to Budget Paper 3. In circumstances where the budget papers for a financial year will not be tabled in Parliament before the start of the financial year, the Treasurer must cause an estimate of the forecast investment income to be tabled in each House of Parliament before the commencement of the financial year.

4.2. The FHRI Account

The FHRI Account is the operational account of the FHRI Fund scheme. The FHRI Account will be credited annually with moneys equivalent to earnings forecast from investing the Treasury FHRI Fund, which is articulated in an Appendix to Budget Paper 3. The FHRI Account is subject to conditions that apply to all State Government agency special purpose accounts, including those set out in the Financial Management Act 2006 (except section 20, which is disapplied by the Act) and related Treasurer's Instructions. Moneys credited to the FHRI Account will be held there until expended or the Minister and the Treasurer agree that surplus moneys be returned to the Treasury FHRI Fund.

The budget for the FHRI Account will be approved through standard State Government budget process and, as such, will be considered by the ERC of Cabinet after endorsement by the Minister. The budget submission endorsed by the Minister will be consistent with the Strategy and Priority Goals. The Director General, or a duly authorised delegate, will provide approval for funds held in the FHRI Account to be expended in accordance with the budget approved by the Minister and ERC. The FHRI Account can only be applied to support research and innovation activities through approved Programs and Initiatives. Administrative costs, such as those incurred by the Advisory Council, OMRI and Expert Committees, will be met by the Department of Health.

5. Degree of Ministerial direction and control

Ministerial direction and control refers to the extent to which an entity operates under the direction and control of Executive Government. In the context of the *Governance Framework*, the Departments of Health and Treasury are subject to full Ministerial direction and control. The Advisory Council is established in line with the Public Sector Commission's definition of a statutory advisory or consultative board and reports to the Minister.

Expert Committees will operate under similar conditions as the Advisory Council regarding Ministerial direction and control, except that they are accountable to OMRI and do not have a statutory basis. Where an Expert Committee is providing recommendations for funding to particular entities, it is completely independent of Ministerial and Department of Health direction. However, neither the Minister nor the Department of Health is bound by recommendations provided by the Advisory Council or an Expert Committee.

6. Risk management

The *Governance Framework* has been designed to provide a robust, transparent and accountable decision-making process for disbursements from the FHRI Account. Each stage in the FHRI Fund scheme's Process Map (see Appendix B) has been assigned appropriate expertise and responsibilities, ensuring efficient and authoritative recommendations are provided to decision-makers. However, it is still important to address risk exposure associated with the *Governance Framework* in a systematic manner and to implement tailored risk prevention and remediation plans.

The main risks that are inherent to the *Governance Framework* are described below.

6.1. Clear reporting and accountability relationships are not established and maintained

If clear reporting and accountability relationships are not established and maintained, there is a risk that the integrity of the function that each entity in the *Governance Framework* fulfils will be compromised. Moreover, if interactions are not constrained to a defined decision-maker/adviser/operations relationship, there is a risk that the operations of the FHRI Fund scheme will become complex, unwieldy and unpredictable. These risks are minimised by the clear definition of roles and responsibilities in the *Governance Framework* (see sections 2 and 5); however, further definition of these relationships is provided through Terms of Reference and Charters (where applicable) for the Advisory Council and Expert Committees. Periodic reporting on activities of these groups will track conformity with the relationships defined in the *Governance Framework*.

6.2. Objectives are not adequately defined and/or adhered to

Decision-makers, advisers and operational support may not adequately define and adhere to objectives set by or for them regarding the Strategic Instruments and the FHRI Fund scheme as a whole. The consequences of this risk eventuating are that the Strategic Instruments of the *Governance Framework* will be inappropriate or incomplete, advice to the State Government will be ill-informed and, ultimately, the FHRI Fund scheme will not realise its full potential.

The *Governance Framework* exercises control over this risk by clearly defining:

- the purpose of the *Governance Framework*
- the roles of the decision-makers, advisers and operational support
- the purpose of each of the Strategic Instruments of the *Governance Framework*
- reporting requirements.

Further granularity of control over objectives is achieved through governance documents of the Advisory Council, including its Charter, its Statement of Intent in response to the Minister's Statement of Expectation and review and evaluation requirements for the performance of the Advisory Council and its individual members. Expert Committee objectives are defined in Terms of Reference and monitored through review and evaluation requirements.

6.3. Advisers do not have the required skills and experience

If the Advisory Council and Expert Committees do not have the required skills and expertise, the quality of recommendations these groups make may be negatively impacted. This risk is especially relevant when appointing new members and when a member withdraws from the Advisory Council or an Expert Committee.

A skills matrix will be maintained for the Advisory Council and for each Expert Committee. The Chair of the Advisory Council is responsible for succession planning for Advisory Council members and if a significant skill gap arises, or is anticipated to arise, the Chair will raise this with the Minister.

6.4. Decisions are criticised

Potentially, each of the Strategic Instruments, and the entities responsible for them, may be criticised. The clear relationships, and robust and transparent decision-making processes set out in the *Governance Framework* assist in mitigating this risk. In addition, processes for complaint and dispute resolution are set out in a FHRI Fund scheme Complaints Policy, owned by OMRI.

6.5. Conflicts of interest are not identified and managed appropriately

Members of the Advisory Council and Expert Committees may have associations with persons and organisations that stand to benefit from the FHRI Fund scheme.

If such associations are not adequately identified, managed and recorded, the potential, perceived or actual conflict of interest may jeopardise the integrity of the recommendation-making process and damage the reputation of the State Government, the FHRI Fund scheme, the Advisory Council and Expert Committees.

The Act provides that conditions relating to conflicts of interest are included in Advisory Council members' terms of appointment. This legislative requirement is supported by Conflicts of Interest, and Gifts, Benefits and Hospitality policies for both the Advisory Council and Expert Committees. The Chair of the Advisory Council and of each Expert Committee is responsible for ensuring conflicts of interest are identified, managed and recorded.

Key legislation and codes applicable to the ethical conduct of Western Australian public service officers include the *Public Sector Management Act 1994*, *Financial Management Act 2006*, *State Supply Commission Act 1991* and the Code of Ethics for the public sector within Commissioner's Instruction No. 7 – Code of Ethics.

6.6. Net research and innovation activity do not increase

There is a risk that the availability of a WA-focused source of research and innovation funding will decrease researchers' and innovators' efforts to attract national and international competitive funding. The boost in funding provided by the FHRI Fund scheme may also discourage local funders, such as other State Government agencies and charitable organisations, from maintaining existing research and innovation funding programs. In effect, the FHRI Fund scheme may replace other funding, resulting in no net benefit for research and innovation activity in WA.

HSPs have an obligation to support research and innovation under the mandatory Research Policy Framework and through the Teaching, Training and Research funding provided for in their Service Agreement with the Department of Health. There is a risk that the FHRI Fund scheme will subsidise these 'business as usual' activities of the HSPs, thereby reducing the net benefit achieved by the FHRI Fund scheme.

Potential mitigation strategies for the above scenarios may include: targeting areas where other funders do not provide support; co-funding with other research and innovation funders wherever possible to boost, not replace, existing funding; and exclusion of standard clinical practice (including clinical audit and quality improvement) from Programs and Initiatives.

6.7. Risks are not identified and managed appropriately

If processes are not put in place to identify risk exposure and to develop and implement prevention and mitigation strategies, the chances of achieving the purpose of the *Governance Framework* will be reduced.

In the case of the public sector components of the *Governance Framework*, risk management is supported by policies and legislation covering four operational elements: policies exist for governance and management of material risks; risk exposure is evaluated and remediation plans are implemented; preventive measures for key risk categories are in place; and procedures are in place to monitor incidents from identified risk categories.

For the Advisory Council and Expert Committees, a risk management framework will be maintained, including a risk identification, prevention and mitigation strategy, a risk register and a risk reporting process.

7. Reporting

The Advisory Council will produce an Annual Report on FHRI Fund scheme activities, which will be presented to the Minister and published online. Each Expert Committee will produce a report on the activities it was established to complete, which will also be included in the Annual Report. The three-yearly Performance Review of OMRI, the Advisory Council and the Expert Committees will be included in the Annual Report that corresponds with the completion of the Performance Review.

The Departments of Health and Treasury have statutory reporting requirements that are relevant to the *Governance Framework* (noted in sections 4.1 and 4.2). In addition, the *Governance Framework*, Strategy, Priority Goals, Programs and Initiatives and grant recipients will be tabled in each House of Parliament and published online, and market-led proposals will be published in line with the requirements of the Market-led Proposals policy.

8. Evaluation

The Advisory Council and Expert Committees will have their performance evaluated in accordance with the processes set out in the governance documents for these groups.

An Evaluation Framework will be used to quantify the performance of the FHRI Fund scheme. The Evaluation Framework is developed and maintained by OMRI and approved by the Minister. Evaluations of the performance of the FHRI Fund scheme will focus on four different levels: the Programs and Initiatives; the Priority Goals; the Strategy; and the FHRI Fund scheme overall. Performance of the FHRI Fund scheme overall incorporates assessment of the performance of Programs and Initiatives, Priority Goals and the Strategy in the context of the aims of the Act. Evaluations will generally be conducted by an external service provider and presented by the Advisory Council to the Minister for approval. Corporate assurance for the operations of the FHRI Fund scheme will be led by OMRI.

The Evaluation Framework does not apply to the investment, management and performance of the capital fund, which are the responsibility of the Treasurer.

8.1. Operational performance

Measures that may be considered for evaluation of operational performance include:

- financial accountability, which incorporates the disbursement of grants for research and innovation purposes
- time targets for peer-review and other award processes, and implementation of grant agreements and contracts
- evaluation of the integrity of peer-review and other award processes
- contracts and grants successfully completed
- assessment of the alignment of Priority Goals with the Strategy from which they were derived
- assessment of the alignment of Programs and Initiatives with the Priority Goal from which they were derived.

The funding profile of recipients of funding from the FHRI Fund scheme, via the FHRI Account, will also be assessed. This may include the proportion of funding awarded according to:

- the discipline, such as public health research, fundamental research and clinical research
- the category of recipient, such as HSP, university, research institute, private company and non-government organisation
- the stage of innovation, such as education, training and support, proof-of-concept (including models of care), pre-seed and commercialisation/implementation
- the area of need identified by the WA and Commonwealth governments such as disease prevention, Aboriginal health and mental health
- capital versus recurrent expenditure.

8.2. Research impact

In the context of research and innovation, 'impact' can be considered to occur when the research or innovation activity generates health, cultural, or economic benefits, including through contribution of new knowledge in regard to these areas. However, measuring research impact in a meaningful way is challenging and evaluations will consider various factors that contribute to impact in a contemporary context.

A key deliverable for the FHRI Fund scheme is to leverage additional research and innovation funding into the State. In comparison to a 2020 baseline, the quantum of research and innovation funding in WA from major sources will be measured.

The change from baseline will provide a proxy measure of success in securing a greater share of funding from national sources such as the NHMRC and the MRFF and highlight any reductions in local funding, such as from other State Government agencies and charitable organisations. It is noted that some desirable impacts, such as better health or economic prosperity, may take many years to reach a stage that can be measured quantitatively. The *Evaluation Framework* is informed by international best practice and includes measuring the following categories of impact, among others:

- Health care delivery outcomes (e.g. quality and efficiency measures).
- Long-term population behavior outcomes (e.g. economic outcomes and behavior changes).
- Policy outcomes (e.g. changes to policies, pathways and guidelines).

- Translational outcomes (e.g. public engagement, commercialisation and implementation of interventions).
- Academic outputs and outcomes (e.g. publications and new research funding).

9. Approval and review

9.1. Approval

Approval by	
Approval date	

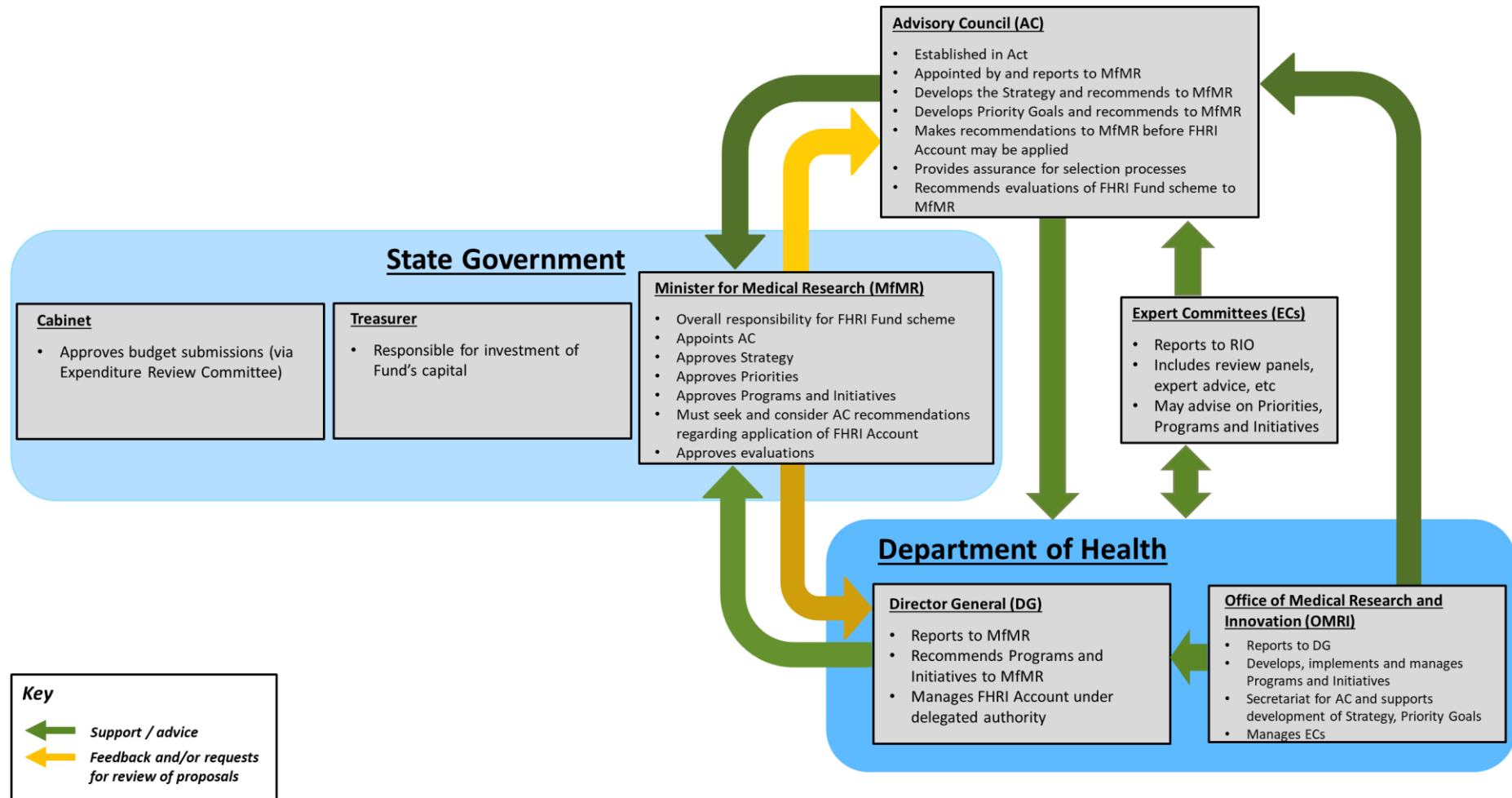
9.2. Review

The Framework will be reviewed annually by the Department of Health, or at another interval not exceeding five years. Amendments to the Framework must be approved by the Minister.

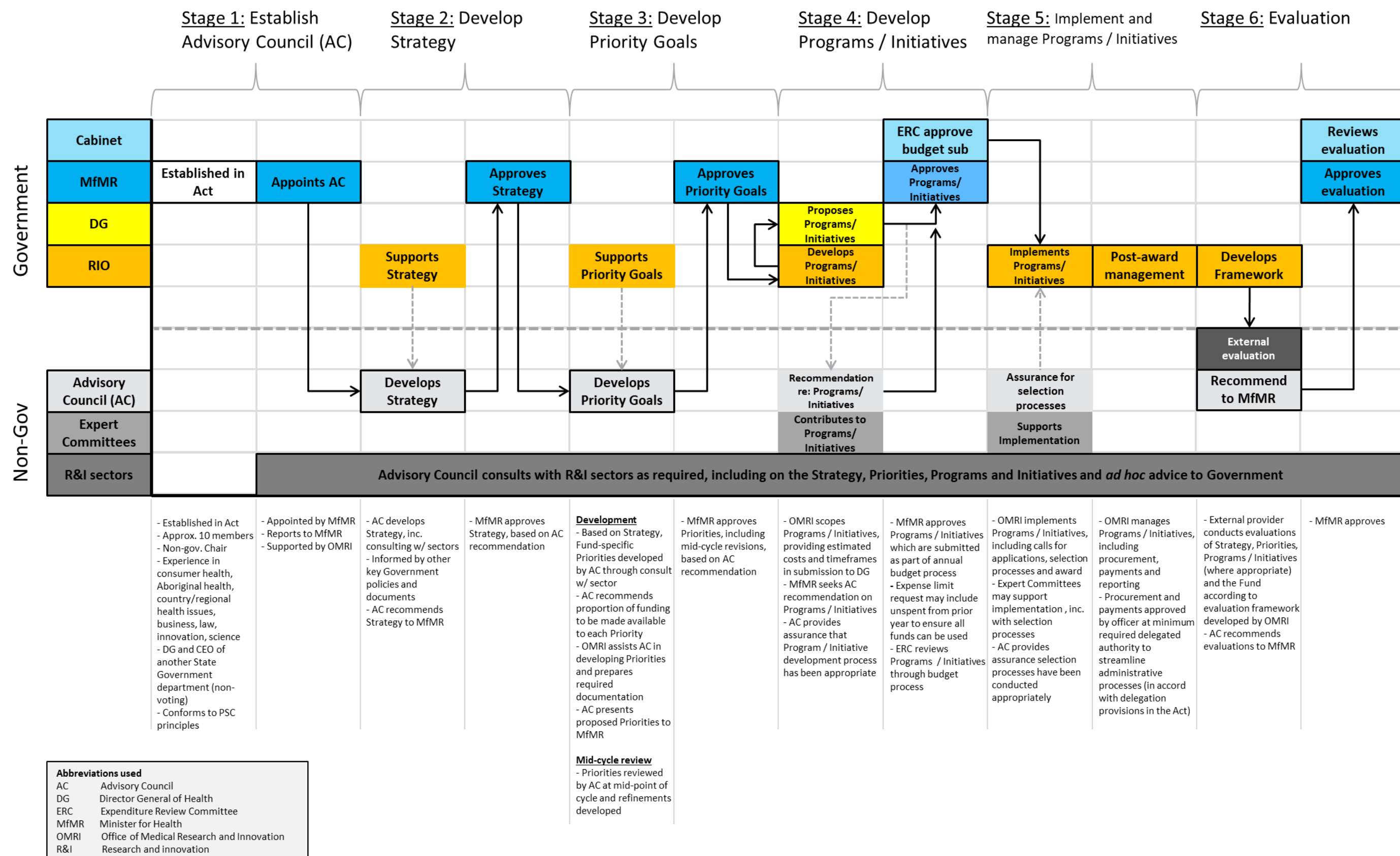
Version 0.1 of the Framework was approved by the Minister on 24 April 2019 and tabled in the Legislative Assembly (LA) and Legislative Council (LC) on 26 September and 19 November 2019 respectively. Version 0.1 of the Framework was tabled in Parliament to aid debate of the Western Australian Future Fund Amendment (Future Health Research and Innovation Fund) Bill 2019 (the Bill) and, therefore, did not reflect the amendments subsequently made to the Bill.

Version	Tabled in Parliament	Published Online	Effective From	Review Date	Description of Revision
0.1	26/9/19 (LA) 19/11/19 (LC)	N/A	N/A	July 2020	N/A
1.0			14 January 2021		Incorporates amendments approved by Parliament during consideration of the Bill
1.1		N/A	N/A	October 2022	Incorporates changes resulting from realignment of the Medical Research portfolio and the name and reporting lines for the Department of Health unit primarily responsible for providing operational and strategic support for the FHRI Fund.

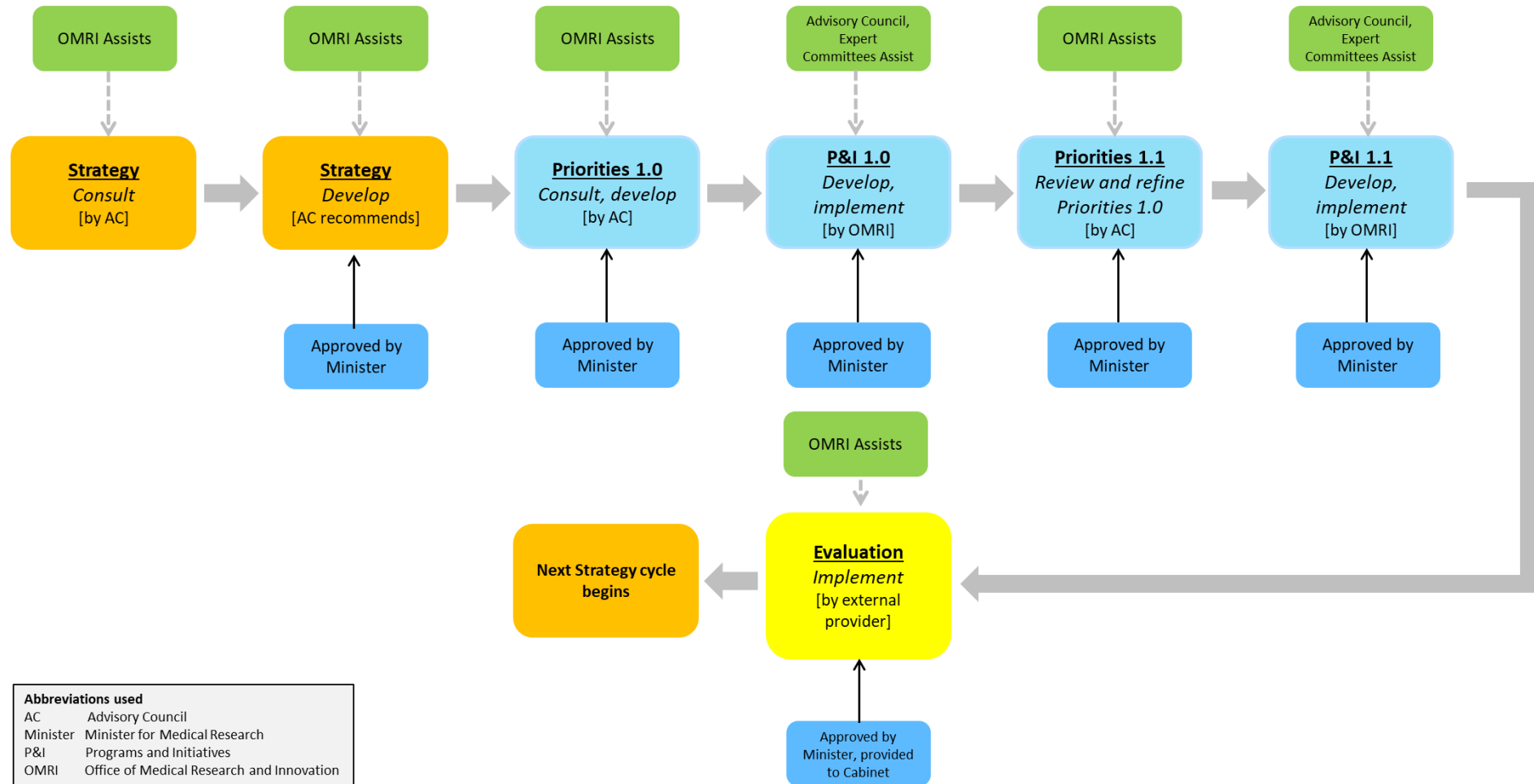
Appendix A: Governance Framework relationships



Appendix B: Governance Framework process map

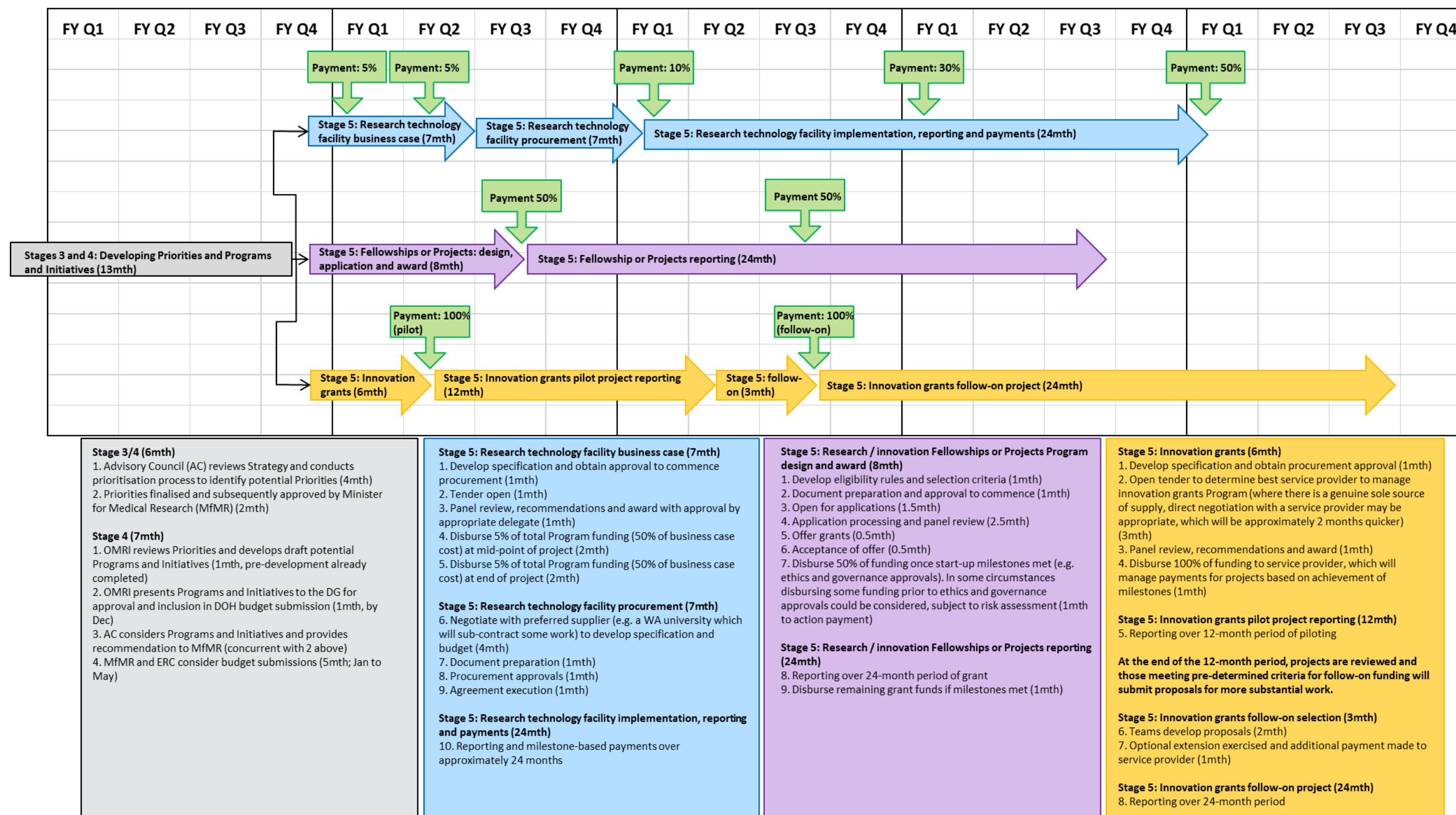


Appendix C: Strategic Instruments development cycle



Appendix D: Program and Initiative implementation scenarios

Hypothetical Program and Initiative scenarios are presented below to illustrate the progression of activities through stages 3, 4 and 5 of the Governance Framework Process Map: Developing Priorities; Developing Programs and Initiatives; and Implementing and Managing Programs and Initiatives respectively (see Appendix B). For the purposes of these three scenarios, it is taken that the Minister for Medical Research has already approved Priorities proposed by the Advisory Council, for which the Office of Medical Research and Innovation has developed three Programs / Initiatives: (1) scope and implement a new research technology facility; (2) research / innovation fellowships or projects (these have similar development steps); and (3) grants to support early development of innovations. The activities and timelines for the three hypothetical Programs or Initiatives have been set out below. Note that the described cycle commences in 'Financial Year Q1' (FY Q1) but this is for example purposes only and does not refer to the first year of the FHRI Fund Programs / Initiatives.





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