



SYFSSubmissionPCHumanServicesPreliminaryFindingsOctober2016Final

27<sup>th</sup> October 2016

Human Services Inquiry  
Productivity Commission  
LB 2, Collins Street East PO  
Melbourne. Victoria, 8003

Dear Commissioner,

***Re: Comments on Preliminary Findings Report -  
'Introducing Competition and Informed User Choice into Human Services:  
Identifying Sectors for Reform'***

Thank you for the opportunity to comment on the *Preliminary Findings Report* (the Report) referenced above. Southern Youth and Family Services (SYFS) has already provided background about the organisation in its previous submission to the Human Services Inquiry. We provide comments about the Report in three parts. Part 1 is general comments. Parts 2 and 3 pertain to 'Social Housing' and 'Grant-Based Family and Community Services', which are two of the six priority areas identified for reform.

### **Part 1 - General Comments**

The category 'Grant-based Family and Community Services' includes alcohol and other drugs services, community based mental health services, family support services, Out of Home Care services, and Homelessness services – meaning all are actually in scope for reform. This contrasts with their classification in the Report which presents them as 'under assessment'. The Productivity Commission has calculated 37% of human services assessed are a *priority* for reform and could benefit from increased competition, contestability or choice. SYFS estimate this figure is closer to 48% if the four 'service' categories (i.e. Home-Based Aged Care, NDIS, Early Childhood Education, and Mental Health) already subject to reform are included. Given the magnitude of reform currently underway and the Productivity Commissions' statement that it is too early to conclude if they have resulted in any increased benefit, it would be prudent to evaluate their implementation first, and then pursue an evidence based expansion if successful.

The Productivity Commission has made some strong assumptions that increasing competition, contestability, or choice will magically fix a number of entrenched policy issues. For example, the Report identifies issues around the mismatch between social housing stock and clients needing housing, long waiting lists, deteriorating housing quality, and the growing gap between maintenance costs and rent paid. These issues are well known and stem from a fundamental lack of affordable housing and the increasing complexity of clients in social housing. The nuanced benefit of competition, contestability or choice within the broader context of long term structural barriers must be articulated as the current argument is too simplistic.



## **Part 2 - Social Housing**

Increasing Choice – SYFS supports greater choice for tenants however there is little to explain how ‘choice based letting arrangements’ in the UK and the Netherlands would apply to the Australian context. More detail is required to explain how this would work for tenants (who have capacity to make informed decisions) when their willingness would be compromised by added administrative processes and because current demand vastly outstrips supply (thereby limiting choice). SYFS believe it is equally important to support tenants in social and private housing develop a greater awareness of their rights and provide greater advocacy for tenants seeking to uphold their rights. This is particularly important for tenants, who in the first instance, are placed well away from their support networks, placed in sub-standard housing, or placed in communities of concentrated disadvantage. It’s also important to build a policy platform which gives clients a second chance (with corresponding support) who have breached their tenancy agreement and/or face eviction. This is evident in the UK Government Social Justice Strategy called ‘Transforming Lives’ which sets out an ambitious vision for supporting the most disadvantaged individuals and families - tackling many of the underlying problems that, if left unchecked, contribute to homelessness. The vision is based on carefully designed interventions to stop people falling off track; and a ‘second chance society’ where no one is ‘written off’ and anybody who needs another chance gets the support they need to transform their lives.

Expansion by Not-For-Profit and For-Profit Providers - The Paper notes that most social housing is government managed and this limits the competitive and contestable nature of the system. It also identifies the benefits in Australia, and elsewhere, of allowing Not-For-Profit Providers to manage social housing. SYFS support this analysis and recommend the expansion of small to medium community housing providers to offer more diversity, particularly those with capacity to provide tailored support for key target groups (e.g. young people). The Report also notes the potential to encourage For-Profit providers to manage social housing. SYFS do not think this approach will work unless tenancies provided by For-Profit providers are guaranteed or supported in some way through subsidies or products funded by government to make it viable. It would be impractical to suggest otherwise (given the increasing cost of housing and growing gap between maintenance costs and rent collected) without increasing the potential for perverse consequences, including less access by complex tenants, decreasing the quality of housing, compromising tenant rights, and preventing those who are disadvantaged get a second chance when they fail to sustain a tenancy.

## **Part 3 - Grant-based Family and Community Services**

SYFS does not believe the argument made to reform this category is sufficient or evidence based. Indeed, much of the content in this section outlines the limitations of government including: loss of corporate knowledge, the fragmented nature of funding programs, over compliance and excessive administrative burden, the focus on input controls and funding flows, prescriptive contract terms, short term funding cycles which lead to economic insecurity (for organisations and staff), the need for government to better understand the strengths of the sector (through market analysis) and implement better commissioning processes. It seems the real issue for this category of ‘services’ is resolving the way in which the Commonwealth and jurisdictions work together to fund the sector and to resolve the issues identified above and in the Report.

The Report also consolidates a vast range of service users in this category of ‘services’ and does not offer a meaningful analysis of their commonalities or provide a cogent argument to justify how the introduction of greater competition, contestability, and choice into these ‘services’ would deliver benefits. The diverse range of service user characteristics, their vulnerabilities, and their capacity for decision making across the category are so varied that it’s difficult to discern how any overarching statement could be made with such conviction. This gives the perception of dogma rather than evidence based analysis and conclusion.

A notable concern within the Report is that unmet demand is juxtaposed with equity. The Report states that most services are provided with no charge to service users so unmet demand does not, of itself, indicate that access to services is inequitable. It is very unclear what the Report is trying to achieve by this statement and whether it means to infer the system is adequately funded and unmet demand is more a consequence of poor

resource allocation or greater expressed need in particular locations (which in turn could be balanced by providing greater completion, contestability or choice). The examples given to address this issue are introduction of user-directed funding (like NDIS) and supported choice/case management type models. The lack of homogeneity of service users in this category must be addressed before such claims can be made.

By example, it is well known clients in the disability sector are typically well supported by their families and support networks (and/or the Guardianship Tribunal) who provide a strong advocacy role. This role is not typically present in the homelessness sector and ironically explains why so many clients 'at risk' fall through the cracks / fail to navigate the service system and end up homeless. To develop this capacity in the homelessness sector would require a significant investment which the government is unlikely to outlay. Therefore, the sentiment to achieve more user choice in the homelessness sector is applauded (where clients have the capacity to make informed decisions) but the potential for cost neutral implementation across the system and a formal commitment by governments to recognise their basic human rights is highly doubted.

The Report also notes that there is no overarching system for identifying eligible service users and directing them to services or coordinating their care. As argued above it not feasible to suggest that such a heterogeneous category of clients could be serviced by one overarching system. Another proposition in the Report is to promote user choice through 'lead workers' who plan and coordinate tailored support and help navigate the service system. SYFS believe this role should already exist as part of sound case management. Moreover, the increasing use of brokerage funds to outsource case management responsibilities is a concerning trend observed by SYFS that is not always appropriate and often costly.

SYFS agree with the need for government to be effective 'stewards' of the service system and to identify policy priorities through systematic analysis of community needs, service gaps, and duplication. The Report recognises that this requires sound data as well as the engagement of providers and users. However, to do this effectively is time consuming and costly and therefore proper analysis is seldom undertaken. There is no point collecting data if there is no capacity/funding to analyse it and communicate results to the sector.

The Report suggests that too close relationships between government and providers could have anti-competitive effects. It also notes that co-design of services is not a pre-requisite for effective commissioning. SYFS disagree with this view and suggest that genuine co-design has rarely been undertaken by government – even though many consultative processes are branded in this way – therefore it's difficult to judge its efficacy. SYFS believe that such tensions can be managed through greater transparency, more inclusive involvement by key stakeholders, comprehensive communication, developing more trust between government and the sector, and the use of probity advice at the service planning and design stages.

Finally SYFS would like to emphasise that there are many other ways to procure services outside of competitive tendering. This is but one of many methods. The choice of method should always be informed by thorough market analysis to gauge the strengths of the existing service system however this is rarely undertaken. Thus, it's often inappropriately selected by government as the preferred method. Other options include renewable funding based on sound performance and direct negotiation following a co-design process. The perverse outcomes from competitive tendering are well documented and should be addressed by the Report given their capacity to fragment the sector and reduce user choice.

Yours Sincerely,

Narelle Clay, AM  
CEO