



Response to Australian Productivity Commission Draft Report, Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services, June 2017.

Introduction

Opportunity Child welcomes the release of Draft Report of the Productivity Commission, *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services* and the opportunity to respond to its recommendations, especially those that bear upon the work of Opportunity Child. OC believes that the APC Draft Report offers an informed, considered and valuable contribution to the discussion about the reform of social services in Australia, and that key design principles could be strengthened in ways that better address needs in communities experiencing deep and persistent disadvantage and where multi-factorial or “wicked” social problems feature. Such places are a key context in which social services operate and require special consideration. Opportunity Child also offers some broader observations about social services and social investment reform which we believe merit consideration in the scope of the Commission’s Report. These mainly relate to the provision of Family and Community Services.

Opportunity Child (OC) is a national initiative working to positively impact the lives of the 1 in 5 Australian children arriving at school each year developmentally vulnerable. The OC Collective comprises urban, regional and remote communities aligning using a place-based collective impact approach to ensure our nation’s children are able to thrive in learning and life.¹

¹ Communities contributing to this report are, Children’s Wellbeing Initiative-East Gippsland (VIC), Connecting Community for Kids (WA), Go Goldfields (VIC), Greater Shepparton Lighthouse Project (VIC), Logan Together (QLD), Sanderson Alliance (NT), Strong Kids Strong Centre (NT), The Hive Mt Druiitt (NSW), Together in the South (SA)

1. Response to Key Design Principles (“Policy Tools”)

1.1. Universal Access

The APC Draft Report proposes that “Human services are essential for the wellbeing of individuals and their families, and underpin economic and social participation. Ensuring that everyone, regardless of their means or circumstances, has access to a minimum level of high-quality human services promotes equity and social cohesion, which in turn contributes to the welfare of the community as a whole” (p.3).

- 1.1.1. We strongly agree with this foundational principle, recognizing that some services will be provided universally independent of need (for example, access to public schools or public hospitals), while others are contingent on meeting specific criteria of need (for example, income or housing support, public dental care). While there is room to argue over the right balance between the two forms, or the stringency of the criteria and standards that establish level of need, we agree that the principle of universal access is the bedrock of an effective and inclusive system of human services that respects the equality and dignity of all citizens.

1.2. Informed User Choice

Throughout the Report the APC emphasizes the importance and value of expanding the scope of client choice or voice in the selection of specific services (and providers) they want to access (see, for example, pages 5-6). Critically, the APC justifies the principle of informed user choice in terms that go well beyond conventional efficiency criteria. It specifically highlights the intrinsic and instrumental value of informed user choice, including empowering people to have greater control over their lives, enabling people to make decisions that best meets their demands and preferences, and providing substantial incentives for providers to be more responsive to user’s needs.

- 1.2.1. Opportunity Child supports the principle of informed user choice, and APC’s reasoning in support of it. Opportunity Child also believes that it is important to recognize that many users trapped in deep and persistent disadvantage are not engaged and/or not informed for a variety of complex reasons and are therefore unable to exercise informed choice. (Indeed, in this context, the APC might well have considered developing a taxonomy of service users differentiated by capacity and need along the lines developed by the NZ Productivity Commission report, *More Effective Social Services* (2015, ch.1).
- 1.2.2. Beyond this, Opportunity Child recommends a broader conceptualization of choice that includes a notion of *collective* choice made at the community level as well as *individual* user choice. This would better account for the role social investment must play in addressing the social, community and economic context in which poverty and marginalisation operate. Collective choice would best be operationalized in the form of “*co-design*” principles in a devolved commissioning environment supported by a strong commitment to *community engagement and mobilization* practices. Such approaches are central to current place-based collective impact approaches employed by Opportunity Child partner communities.
- 1.2.3. While the APC Draft Report gives some consideration to commissioning practices in a variety of contexts (see especially #7.1), on the whole we found APC’s consideration of commissioning is largely framed as a process internal to government rather than as a community process that

involves all stakeholders (governments, service providers and community members). Opportunity Child believes collective choice mechanisms are especially important in aligning services and needs at both the individual and community level in communities with concentrated levels of social disadvantage. Typically, social disadvantage in these communities is multi-dimensional, interdependent, multi-factorial, multi-generational, cumulative, and has proved repeatedly resistant to successful mediation by conventional person based interventions.

1.3. Competition and Contestability

The APC urges systems to incorporate competition and contestability as key design principles of human service delivery systems. The APC also emphasizes that competition and contestability are not ends in themselves or ideological maxims (see pages 6-7), but means to an end – namely, improving the effectiveness of service provision. *In the right circumstances*, competition provides powerful incentives to deliver more effective services: “When competition between multiple service providers is not possible or desirable, contestability, by mimicking competitive pressures, can deliver many of the same benefits as competition. Contestable arrangements for provider selection are used widely in the context of commissioning — an increasingly common approach that governments use when engaging organisations to deliver human services” (p.7).

- 1.3.1. We agree in principle and also believe it needs to be approached with caution for two reasons. Firstly, competition may undermine local partnerships that are working together to improve outcomes in communities. Secondly when considering places of deep and persistent disadvantage, where people are suffering adversity, we urge priority be placed on the principle of co-design in a devolved commissioning environment. This should be backed up by a serious commitment to community engagement and mobilization and that these approaches not be forsaken for narrower considerations of competition and/or contestability. A deeper analysis of how to incentivise the right collective behaviours is also key to successful contestability and competitive strategies.

1.4. Stewardship

The broadest and most important of the design principles recommended by the APC Draft Report is a system level recommendation concerning the role of government as “steward” of the human service system as a whole beyond their role of funding services and determining who has access to the services. The 2015 New Zealand Productivity Commission *Report on More Effective Social Services* took a very similar position. As the APC views it, stewardship “incorporates a range of functions that help to ensure service provision is effective at meeting its objectives, including policy design, regulation, oversight of service delivery, monitoring of provider performance, and developing ways for the system to learn and continuously improve” (p.4).

- 1.4.1. We endorse this principle, and believe that in places of deep and persistent disadvantage stewardship must be considered in the context of a partnership with funders, service providers and the community and not be the sole province of remote Government analysis and decision making. The implementation of this beyond senior engagement is often a challenge and requires support and change management for government systems and people.

- 1.4.2. More broadly, getting stewardship arrangements right confronts a series of challenges. Four in particular stand out:
- 1.4.2.1. how we deliver coordination between levels of government, agencies within government and between government and providers;
 - 1.4.2.2. access to data and information systems that compromise planning, effectiveness, transparency, innovation and performance assessment and accountability; and
 - 1.4.2.3. the achievement of adequately specified, implemented and monitored outcomes frameworks that have broad “public value” along the lines recommended by Mark Moore (1995, 2013; Ernest and Young, 2014).
 - 1.4.2.4. The setup of effective collective governance and decision making structures for tracking and reporting on the progress towards the outcomes frameworks mentioned in 1.4.2.3 and that are inclusive of all key stakeholders, including community leaders and funders.
- 1.4.3. There are no easy solutions to these challenges, so we wish to draw the attention of the APC to the potential benefits of expanding the notion of stewardship to include a strong commitment to the principle of place-based collective partnerships between key stakeholders at the community level (government, community members and organizations, and service providers) and to support co-design practices in a devolved commissioning environment. While government ultimately has final responsibility for the design and performance of the human service system, the design or operationalization of the notion of stewardship needs to recognize the critical importance of community and collective partnerships in the overall functioning of the human service system.

2. Broader observations about social services and social investment reform in Australia, mainly relating to Family and Community Services

2.1. Family and community services should be considered in the context of a long term, strategic framework for social development in Australia

- 2.1.1. A glaring absence in social policy in Australia is a long-term strategic framework for social development for communities that experience deep and persistent disadvantage. How do we intend to reduce the prevalence and impacts of poverty and marginalisation in the long-run? What is our theory of change for these places and peoples? Who will take what action?

Currently family and community services are heavily focussed on crisis responses and the mitigation of harm after social problems have occurred. There needs to be a rebalancing of policy, investment and commissioning towards strategic, preventative, structural and systemic approaches to long term social development.

- 2.1.2. Improvements to service commissioning and planning cannot be usefully progressed in the absence of such thinking. Put another way: we can have better commissioned, more integrated

services that simply make being poor and marginalised somewhat less unpleasant. Instead we should be focussed on eliminating poverty and furthering social development. Opportunity Child and other initiatives around Australia are focussed on the latter and can point a way to more systemic responses.

2.1.3. Of particular note, is that within rural settings, without larger indigenous populations, commissioning and tendering frequently results in reduced servicing or helicopter servicing where a larger provider drops in to deliver something that is out of culture for the 'place'. Consequently, communities experiencing high levels of social vulnerability can be disadvantaged due to low population numbers. A more appropriate funding model for these communities might include:

2.1.3.1. Inclusion of criteria relating to knowledge and connection to place

2.1.3.2. Increased timeframes

2.1.3.3. Collaborative funding processes

2.1.3.4. Direct negotiations with local provider(s), benchmarked to ensure value for money.

2.1.3.5. Pay for success models aligned to collective efforts and outcomes frameworks.

2.2. Place-based responses are important for indigenous communities, and are equally important in considering the future of “mainstream” human services contracting in places of deep and persistent disadvantage

2.2.1. Disadvantage in Australia, including in urban centres is highly geographically concentrated, with the dynamics of the social welfare system and the disempowerment and disengagement of recipients creating mutually reinforcing barriers to social development. Thus many of the observations and recommendations described in the report's section on Indigenous people living in remote communities should equally be considered in the context of “mainstream” disadvantage, particularly the focus on local customised place based strategy, local co-design and shared governance and accountability with local leaders and organisations.

2.3. Place-based concepts on their own are not enough

2.3.1. Because of the complex nature of locational disadvantage, place-based responses are important elements in the infrastructure required to enable strategic social change. However, they are not by themselves enough. Place-based approaches must be supported by several other elements to make change. These are set out at 2.13 below.

2.3.2. Opportunity Child would invite a policy level partnership with government to begin the journey in creating a vehicle for whole of society action.

2.4. Devolution and systemic planning

2.4.1. We support the need for systemic planning of social services systems – with a particular requirement to understand how coherence is achieved at the community level and how systems can be structured around the needs of people, not agencies. We believe the report has been too polite about the inadequacies of the current highly fragmented, immensely wasteful system.

2.4.2. We believe the recommendations could be strengthened in three ways:

2.4.2.1. In targeted locations of high disadvantage establish local investment and decision making infrastructure and the budget appropriation mechanisms to meaningfully devolve system planning and resourcing. This infrastructure would need to be supported by program and service design, procurement and contracting capabilities that typically sit centrally. These arrangements could operate within established parameters to maintain thematic consistencies and quality across state or national jurisdictions.

2.4.2.2. These devolved arrangements should be multi-party, including all levels of Government, the service provider, corporate and philanthropic community and have a significant and influential citizen leadership component to them.

2.4.2.3. In many instances, these devolved arrangements would best be led outside government so that government partners can participate as equals and focus on the needs of place can be strenuously represented. There are examples where local government, allied structures and independent community leadership structures have been set up and are effective in playing this independent leadership role.

2.5. Change to internal Government accountabilities and structures

2.5.1. Efforts to improve coherence of social investment, systemic planning and coordinated delivery will not work unless internal to government accountabilities, structures and processes are reformed to support those outcomes. The failure to make these reforms is probably the most obvious reason efforts at place-based and joined up social reform have failed historically. These reforms should include consideration of:

2.5.2. How program and service investments are appropriated through the budget and the parliament and how the constraints arising prevent funds pooling and program integration.

2.5.3. How policy is designed: currently typically within a single discipline area focussed on the amelioration of a small number of symptoms rather than the interrelated root causes of social challenges.

2.5.4. How performance measures, accountabilities and incentives are applied to agencies, business units and executive performance and whether these impede collaborative effort.

2.5.5. How population scale decisions across disciplines may be made and delegations created to enable action.

2.5.6. How we can build flexible approaches that are responsive to local conditions and are sustained for the long term and which, where appropriate, have national level centralised coordination to ensure economies of scale and system capacity through broader based learning platforms.

2.6. A redescription of the culture and behaviours of Stewardship in place-based responses

- 2.6.1. Experience across Opportunity Child communities shows that stewardship cannot be considered as simply another way of undertaking contract management. Instead, it must be developed as an alternative way of thinking and doing work between funders and communities as partners.
- 2.6.2. Further to these broad recommendations, our experience at Opportunity Child would suggest that stewardship could specifically include:
 - 2.6.2.1. sharing risk across sectors including financial, reputational and accountability to achieve social change and including:
 - 2.6.2.1.1. agreement on sharing and use of data
 - 2.6.2.1.2. agreement on social outcomes and progress points along the way
 - 2.6.2.2. sharing power where the design, implementation and measurement are co-designed
 - 2.6.2.3. communicating and engaging differently, such as:
 - 2.6.2.3.1. agreeing to bring all networks and stakeholders to the table as required to achieve the work together and
 - 2.6.2.3.2. Building values and ethics-based Memoranda of Understandings rather than service agreements

2.7. Enabling Citizen leadership in collective choice

- 2.7.1. Progress is being made on effective and pragmatic ways of fostering and including citizen leadership in devolved decision making and service planning. This goes beyond co-design principles to empowering community members to design, review and adapt service responses and investment decisions. This is the case for three good reasons:
 - 2.7.1.1. Empowerment is a pre-condition for change and people who have more control over their own lives and choices are more ready to move forward in life.
 - 2.7.1.2. People are the experts in their own lives and communities and their insights when combined with other considerations lead to better more effective solutions.
 - 2.7.1.3. Community engagement provides opportunity to leverage the broader benefits of other local assets, human resources and financial and social capital essential to community self-mobilisation and agency and key to augmenting service delivery.

2.8. Coordinating infrastructure – the right vehicles for change

- 2.8.1. There is an emerging practice community and literature on independent Backbone functions and related infrastructure and the role they must play in driving social reform as part of devolved, place based responses. There are practical, scalable and replicable models which can and should be supported. This needs to be considered in the context of the change in mindset and behaviour required to deliver different outcomes.

2.8.2. Opportunity Child has developed design principles for operationalisation that can be referenced for wide application across areas of diverse social challenge.

2.9. Social inclusion programming, capability building and community aspirations

2.9.1. The mix of family and community services investment is wrong. Service provision around the amelioration of social problems – typically through casework approaches – though helpful and often necessary, will not achieve social change. Communities will not move forward simply because people's dire personal problems are better supported. Social connection, inclusion, leadership development, economic, cultural and community development are required to be resourced as essential and equally valid streams of investment. We must use "pull from the front" strategies designed with local communities around their aspirations to inspire change.

2.9.2. Understanding the level of community readiness for the big work and developing an authentic sense of community aspirations is essential to enable place-centred solutions. Opportunity Child is currently acknowledging the importance of empowerment and citizen participation in governance by building measures of community capability development, resilience and strong communities into its outcomes and evaluation frameworks, quite beyond outcomes for children.

2.10. Outcomes focus and Evidence-based planning

2.10.1. The required focus on outcomes and a balance of innovation and evidence-based design to underpin this work will necessitate new skills and a growth and development mindset. To achieve intergenerational shift, outcomes frameworks needs to be generated which map against the life course of the individual and which point to the risk and protective factors at play. Equally, we need to be cognisant of the entire ecological model impacting the lives of our citizens.

2.10.2. Embedding these elements above and coordinating through new collective operational structures will allow for strategic learning, informed decision-making and targeted efficiency. OC and its communities are modelling the effectiveness of this approach in place and at the national level.

2.11. Workforce and industry capability development

2.11.1. Skills and capabilities are needed in Government and the non-government and community spheres to sustain the strategies outlined here. Government must develop system steward skills that entail strategic analysis, partnering, brokering, power sharing, co-design and related skills. Communities and non-government organisations must develop into the leadership roles required of them. Local business and corporate Australia also need to develop new leadership capabilities in systems thinking beyond a profit mindset, creating value and alignment with communities who are often consumer stakeholders in their businesses. There is much change required across all sectors in the way we work together and utilise resources to address entrenched social issues.

2.12. Sharing the risk with those already engaged in execution around these changes

2.12.1. The work described above is significant. Currently, both internationally and across Australia, there are strong examples of major and joined-up investment in social change by catalytic

fundere; both philanthropic and corporate. Ten20 Foundation have incubated and sustained Opportunity Child since 2014, providing seed funding in partnership with Woodside Development Fund, to tackle the extensive foundational work required to move to scale. Investment by catalytic fundere such as these mean that government no longer needs to bear the risk alone. The capacity to share risk, to leverage work which has already attracted deep investment and to outide political cycles through shared value creation provides a further opportunity for impact.

2.13. **Scaling through iterative and emergent approaches**

2.13.1. The social service system in Australia has grown in a largely ad hoc manner over the past 40 years. It is time for a re-set so the system becomes fit for purpose. A big bang standardised roll out of the approaches outlined above will not work. Iterative approach based on community readiness and sound investment gateways will be essential. While the strategic opportunity could well require a 20- year reform strategy, there will need to be a transition period commencing now.

2.13.2. Opportunity Child communities themselves are currently engaged in mapping and operationalising the elements required to affect social change, and we are undertaking a phased approach. OC would recommend government apply their policy minds and resources to the following staged steps towards intergenerational impact. OC communities would welcome the opportunity to walk side by side government as prototype sites to explore the following:

Element One: Establish a process for integrated commissioning to be established to address the impacting forces against an ecological framework

Element Two: Enable strategic learning by building outcomes frameworks and identifying risk and protective factors against the entire ecological model. Enable data sharing to inform decision-making around our investment and effort

Element Three: Invest in capability and culture building within communities and deep within and across services and sectors (including government)

Element Four: Begin to re-structure for change as part of an iterative and emergent strategy.

Element Five: Optimise the investment of catalytic philanthropists and corporate bodies by incentivising and lining up effort

Element Six: Promote and enable the application of individual agency while the new system is being created

Acknowledgments

This response to the Productivity Commission Draft Report was jointly built by communities, and informed by partner organisations of Opportunity Child:

Communities:

- Children's Wellbeing Initiative- East Gippsland (VIC)
- Connecting Community for Kids (WA)
- Go Goldfields (VIC)
- Greater Shepparton Lighthouse Project (VIC)
- Logan Together (QLD)
- Sanderson Alliance (NT)
- Strong Kids Strong Centre (NT)
- The Hive Mt Druitt (NSW)
- Together in the South (SA)

Founding partner and principal funder:

- ten20 Foundation

Partner Organisation:

- Australian Research Alliance for Children and Youth

Appendix: Key contacts

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