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14 July 2017

Professor Stephen King
Commissioner Human Services Inquiry Productivity Commission
Locked Bag 2, Collins Street
East Melbourne Vic 8003

Dear Professor King

RE: Family & Relationship Services Australia (FRSA) submission in response to *Productivity Commission, Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services, Draft Report*

Family & Relationship Services Australia (FRSA) recognises the Australian Governments' ongoing commitment to ensure all Australians can access timely, affordable and high-quality human services that are appropriate to their needs.

As a peak agency representing family and relationship services in Australia, FRSA would like to take this opportunity to respond to the Productivity Commission's draft report: *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services, Draft Report*. Our particular focus is on Chapter 7, around the proposed reforms to family and community services.

FRSA commends the Commission for taking on board many of the concerns expressed by FRSA and other organisations in response to the Preliminary Findings report in late 2016. We concur with the Commission that people who use family and community services are often not in a position to exercise informed choice, and rather the system can and should put their interests at the centre of selecting service providers.

However, concerns with the proposed reforms still linger for the family and relationship services we represent in the broader family and community sector. More information and stronger rationale is required for our sector to more fully support the draft recommendations. While there are numerous aspects of the draft recommendations we support, there are many aspects in which the meaning is unclear and the implications need to be unpacked. This submission goes through the background dialogue to each of the seven recommendations presented in the draft report, elaborating on what FRSA supports, what we do not and what requires further clarification.

FRSA has also been conducting our own research into more efficient and effective ways in which the family and relationship services sector can be working with children, families and communities so that we are more involved in prevention and early intervention approaches – through a shared risk assessment framework – in efforts to achieve more holistic, systemic and person centred service system responses. This research is not specific to contracting but it does share some of the thematic as the Commission's current Inquiry when looking at the higher level concepts around purpose, function, effectiveness and efficiency. The FRSA Report is titled *Strengthening prevention and early intervention for families into the future* and I would welcome an opportunity to brief the Productivity Commission on the report.

Amidst other recommendations made by us throughout this submission (all our recommendations are listed on page 17), the overarching recommendation we make is that the government consult more closely with the sector while determining what recommendations to pursue. In determining the best way forward for family and community services, government must recognise and protect the great social value that not-for-profit organisations bring to children, families and communities.

I welcome the opportunity to further discuss with you our feedback to the draft report. Please do not hesitate to contact me or FRSA's Senior Policy Officer, Dr Adam Heaton, to discuss the points raised in this submission.

Yours sincerely,

Jackie Brady
Executive Director

Introduction

FRSA acknowledges that there are shortcomings with current arrangements. Governments (Federal, State and Territory) all too often do not make the most of the knowledge and expertise of providers when formulating policies and designing programs, award short-term contracts that are at odds with the nature of entrenched problems (that often require long term planning and support), and set tendering, contractual and reporting requirements disproportionate to the level of funding provided and the risk involved. In the end, the administrative burden of multiple contracts attached to disparate funding sources compromises the sector's ability to provide a comprehensive, seamless and cohesive support system. This increases the administration and management work required, decreasing resources for direct service delivery

That said, there is also no easy solutions for a clear path forward. The Commission recognises in the newly released draft report that there are limitations to the concepts proposed in the earlier preliminary findings report and study report around introducing greater user choice and numerous aspects of competition and contestability into family and community services. FRSA is pleased the Commission has acknowledged in the draft report the concerns raised in the numerous submissions from FRSA and the broader family and community sector in response to its previous preliminary findings report and study report, including regarding user choice. The Commission has acknowledged that user choice will not be appropriate in all circumstances, including in services that respond to emergencies (see page 205 of PC draft report).

FRSA concurs with the Commission that although not everyone is able to or wishes to exercise choice over the services they receive, many can, and, where appropriate, many users already self-identify their need for a service and choose a provider to approach (page 205 of PC draft report). This has included, where appropriate, phone and website-based services. This is also the case for a range of services, for example counselling and dispute resolution services, provided by the FRSA membership.

FRSA is also pleased that the Commission identifies that competition between service providers to 'win' service users is not and should not be a common feature of family and community services (page 206 of PC draft report). FRSA agrees with the Commission that the more favourable approach to be taken would be for government to understand the needs of users and from that to be better informed in selecting providers on behalf of users.

This submission responds to the following sections addressed by the Productivity Commission's in its Draft Report (with the PC's Draft recommendations falling within these sections):

- Systematic service planning
- Processes for selecting service providers
- Outcome reporting and performance management
- Contract management practices.

Systematic service planning

FRSA concurs with the Commission that providers as well as users should, from the outset, provide input into the development of outcomes (page 211 of PC draft report), and the same applies with broad service system planning. In these processes governments would do well to devote greater time and effort in understanding the different needs, characteristics, contexts and situations of users and, if done consultatively from the get-go, co-design services with them. This greater understanding, combined with a full knowledge of all current and potential providers in a locality, will assist government in making effective funding decisions into the future.

FRSA also supports greater inter-departmental or cross-departmental approaches to determining service provision decision making (proposed on page 199 of the PC draft report). Program objectives and outcomes should align between State and Commonwealth funders in order for a provider to help whole families. For example, state funding may enable one provider or numerous providers to help a father and Commonwealth

funding may enable them to help his children, but the program aims, outcomes and reporting systems are all too often different between the Commonwealth and State. Vulnerable and disadvantaged families with highly complex needs require a far more holistic approach to service delivery. The funding silos also have the capacity to exacerbate matters.

It is essential for government to better understand user needs and what works in meeting their needs in order to best invest in systematic service planning and develop service plans for each region. To do this government would best draw upon the wealth of knowledge held by providers in the sector, to most fully develop the understanding and knowledge of services that they require to conduct systematic service planning effectively.

However, FRSA does remain concerned that the safety net provided for welfare recipients is extremely low. Even the most effective, efficient system service planning will not eliminate the underlying issues and causes of people's life circumstances relating to poverty and homelessness.

FRSA acknowledges the potential benefits of the recommended activities (welcoming the development and sharing of existing service mapping; analysis of the characteristics and needs of the service user population; and service plans to address these needs to assist with government's systematic service planning) in Draft recommendation 7.1:

***PC Draft recommendation 7.1** The Australian, State and Territory Governments should work together to develop and publish:*

- *data-driven maps of existing family and community services*
- *analysis of the characteristics and needs of the service user population to assist with system and program design and targeting*
- *service plans to address the needs of people experiencing hardship.*

In saying this, the scope, definition and underlying causes of "hardship" is an important consideration in the successful development of these maps of services and service plans for addressing people's needs. This should include structural and not simply personal factors.

FRSA notes that in enacting this recommendation sector consultation is essential and central. Accordingly, consultation with family and community service providers should be included in this recommendation. It is particularly important to respect local input in rural, regional and remote locations.

FRSA concurs with the Commission (page 200 of the draft report) that there are costs associated with the recommended activities, and these costs should include reimbursement of the time and resources allocated by providers in consultations with the sector.

FRSA recommends:

- 1. That government consult with family and relationship service providers, and family and community services providers more broadly, to enhance its understanding of user need and characteristics across the system as a whole.**
- 2. That proper and full compensation be extended to family and community service providers for their time and resources in contributing to the development and use of the recommended activities.**

Processes for selecting service providers

FRSA concurs with the Commission that it is imperative to design and select programs and services based on evidence of the attributes of effective service provision (e.g. the provider's connection to the local community, its size, whether it is a specialist service provider, its governance structures, etc.). It must be kept in mind that specialist services are of great benefit when service users have specific needs (page 217 of PC draft report). FRSA also agrees that government should place more emphasis on demonstrated performance in a service or region.

Also, the Commission rightly identifies as a key point on page 199 of the draft report that by government better understanding user needs and what works in meeting their needs, they can better adjust provider selection processes, including better identifying service providers that are able to achieve outcomes for the people who use the services. FRSA cautions that careful consideration, in consultation with the family and community sector, must take place before adjusting selection criteria and other aspects of selection processes.

FRSA also agrees with the Commission that selection processes need to be identified in tender documentation and be at the centre of how governments select providers (page 207 of PC draft report).

Contestability

There needs to be a level playing field for small, medium and large organisations to apply for tender. In provider selection processes, FRSA acknowledges that small organisations are often (although not always) unable to invest in tender writing as compared to larger organisations. Large and medium providers can often more readily achieve economies of scale and scope than small organisations that make them more able to dedicate resources to apply for funding and to invest in service improvement. Smaller organisations must be given a fair go in selection processes, with government needing to identify how to not prioritise well written tenders above organisations that have demonstrated ability via robust evidence (e.g. quality evaluations) to meet client needs in their locality. Sometimes smaller organisations have the required expertise and knowledge to deliver the service. We have anecdotal reports from our sector that an agency may win a tender but then needs to sub-contract out to another smaller service provider who are better placed to deliver the required services. In some cases, the cost of working with smaller, more niche and specialised organisations will in fact carry a higher cost. Therefore, lowest cost must not be the key objective in a contestable market.

This said, the benefits of large organisation should be recognised when appropriate. Large organisations can often have a large amount of diversity and skills as they can support specialist staff. Quality, contextual assessment of both large, medium and small organisations is needed, to ensure that regardless of the size all service providers have infrastructure, supervision and professional development for staff, research capacity and reporting systems.

Also, in making funding decisions for the delivery of services to Indigenous children, families and communities, preference should be given to organisations that consult the Indigenous community to identify and meet the needs of the community. Community must be consulted prior to selecting the best organisation to deliver a service, and also when monitoring its performance, with state and local arms of Federal Government determining the best organisation to deliver the needed service for the benefit of the Indigenous community.

On a separate point, FRSA recommends that the Commission rethink its current position on “not discriminate[ing] on the basis of organisational type (for-profit, not-for-profit and mutual for example)” as seen in Draft recommendation 7.2:

PC Draft recommendation 7.2 *The Australian, State and Territory Governments should adjust provider selection processes in family and community services to reflect the importance of achieving outcomes for service users. Governments should:*

- *design selection criteria that focus on the ability of service providers to improve outcomes for service users*

- *not discriminate on the basis of organisational type (for-profit, not-for-profit and mutual for example)*
- *allow sufficient time for providers to prepare considered responses (including the development of integrated bids across related services).*

There is a need for government to distinguish, and make funding selections accordingly, between for-profit, not-for-profit and mutual organisations due to the very different motives and impact of each. One major distinguishing factor being the social profit or the social value associated with the work of not-for-profit organisations, including through volunteerism. Not-for-profit organisations do not have stakeholders and do not need to deliver a profit, and the money they attract to provide a service is for the delivery of that service. Within current grant and contract arrangements, any funds unspent must be returned to the government. It is unclear why government would fund a for-profit organisation when its profits go to its shareholders.

The social value of not-for-profit organisations, including in the family and relationship services sector and more broadly the family and community sector, is also their level of engagement with the communities they serve, bringing additional value through volunteering and other forms of localised altruism and philanthropy. Not-for-profit organisations infuse in a community a great number of benefits, including volunteer effort, which has a largely positive impact on community connections and cohesion. There are only three references to volunteers in the entire draft report. The FRSA submission in response to the Commission's Preliminary Findings report pointed out the significant harm done to not-for-profit service provision and community volunteerism as a result of the on the United Kingdom's Big Society reforms.

As with other draft recommendations put forward by the Commission, any costs to providers in contributing to the activity stemming from Draft recommendation 7.2 must be compensated.

Better supporting collaboration

The Commission's Draft Report refers to cooperation, coordination and collaboration, and there is different understandings and uses of these terms and the distinctions between them in our sector and across sectors. Government and the sector would do well to formalise the definitions and distinctions around each. For simplicity, and due to the Department of Social Services' (DSS) and hence so too our sectors' extensive use of the term collaboration, this submission focuses on concepts associated with collaboration.

FRSA concurs that collaboration is often beneficial in local service delivery systems and inter-agency relationships, and welcomes government giving organisations more time to apply for tender so that they can more fully explore and apply for workable partnership and consortia arrangements where they will best meet local user needs (see page 217 of PC draft report). With this in mind, FRSA agrees with the Commission (page 200) that it is necessary to give providers sufficient time to prepare considered responses to tenders (including the development of integrated bids across related services, and doing so as soon as practicable, there is the potential of providing services in our sector with greater opportunity to work together in an integrated manner).

However, although greater collaboration between providers could and should be enabled, collaboration is not always the best arrangement, and should not be a prerequisite or a selection criterion for funding. While the concept of collaboration is supported by the sector, its actual implementation is often complex—and not always appropriate or beneficial.

FRSA members at the FRSA Strategic Leadership Forum in Canberra on 28-29 March 2017 elaborated on the need for the sector to further identify the purpose and value of collaboration, as well as the right time and place for it. Members identified that while collaboration often results in great client outcomes, collaboration takes effort, and it is difficult to measure outcomes linked to collaboration. Members identified numerous challenges to collaboration, including the need for: knowing where and how to do so in a competitive environment; a common language; understanding different roles; good leadership; identifying and forming formalised relationships (as required); sharing tools; time to collaborate effectively; cooperation; trust; consistent data; and working around staff turnover. While collaborations developed at the local level to

improve outcomes for clients can be beneficial for clients, if contracts force artificial collaborations then it does not work. Further investigation is needed into the different feasible and effective ways in which providers can work together (and with other parties and agencies in the community) to achieve the best outcomes for clients.

Also, family and relationship services can have clauses in their funding contracts that require them to collaborate with other providers, but are not provided with any financial resources or organisational support to carry out this collaboration. Service providers often work together despite the lack of systematic support. FRSA concurs with the Commission that relying on the goodwill of service providers is a haphazard way to achieve collaboration, and adds that it is unfair and unreasonable to providers. Considering this in conjunction with the increase of for-profit organisations operating in this space is additionally concerning.

Avoiding 'haphazard' commissioning

Over the years, family and relationship services have raised concerns with FRSA over potential favouritism and discrimination from government in commissioning processes, which the commission has identified on page 199 of the draft report as having led to 'haphazard' commissioning.

While haphazard commissioning is undesirable, each context and history of organisations receiving funding to deliver services to meet the needs of Australians needs to be considered to determine whether commissioning has indeed been haphazard. For instance, there has been some instances of 'grandfathered' funding automatically extended to some services due to a lack of alternative providers, but this has at times been due to a lack of alternative providers in the locality.

In saying this, what is meant by 'haphazard' and 'poor' commissioning needs to be better defined, and better alternatives for most effective and efficient resource allocation to respond to the needs of people experiencing hardship and to ensure accountability must have a clear rationale. Newly introduced approaches to commissioning services must also not be or appear to be haphazard, with change for change sake not automatically equating an improvement. For instance, it is not a good move to change from applying a closed tendering process to an open tender process when the current provider is the only provider with the required local trust, relationships and resources to best serve the community. For some funding situations there must be a case by case approach to determine a commissioning process and decision that is fair and yields the best outcome for community. Community consultation is essential in this process.

FRSA recommends:

- 3. That the Commission recognise the risks of not discriminating between for-profit, not-for-profit and mutual organisations, and the harm to volunteerism and the overall reduction of the social value to community should government funding of not-for-profit sector be opened up to for-profit organisations.**
- 4. That government fairly and reasonably compensates providers for any collaboration with other providers government expects of them.**
- 5. That government consult with providers (including family and relationship service providers) prior to adapting selection processes.**

Outcome reporting and performance management

Although our sector strongly supports the need to measure outcomes, outcomes data (including DSS' Data Exchange portal (DeX) and its outcome reporting component (SCORE) data) should not be used for benchmarking organisations in determining funding. DSS has repeatedly informed FRSA that outcomes data collected in DeX/SCORE will not be used for benchmarking. FRSA believes that this stand is appropriate given that DEX/SCORE was not designed for benchmarking organisations against one another.

FRSA members have indicated there are substantial challenges and costs in measuring outcomes and there is a long way to go before the government could fairly and appropriately use outcomes data for contracting. When FRSA ran a Members' user experience with DeX reporting survey in September-October 2016, members indicated numerous concerns they have with how outcomes, including benchmarking, might be used in the future by government. FRSA members have indicated they have numerous concerns regarding potential future directions by government, including: there are many variables that comparing organisations cannot take into account (including situations of users and providers changing over time); not all outcomes data is compatible with SCORE reporting; the SCORE measure is highly subjective, and no two organisations and their services are the same—even when in the same locality.

At present the potential application of outcomes-based funding is limited. Like with broader family and community services, the data and expertise needed for outcomes-based funding to work well for family and relationship services are currently not available. Critical to this discussion is the clear identification of outcomes and whether or not they are fit for purpose.

FRSA members at the FRSA Strategic Leadership Forum in Canberra on 28-29 March 2017 identified the strong need for greater workforce development to increase expertise and for correct remuneration to attract and retain the right staff. FRSA contends that the government should give greater support to the sector to assist organisations to upskill current staff and to attract and retain new staff with the skills required for effective outcome measurement.

The draft report does not give due weight to the difficulties for our services to measure outcomes in an aggregate way, as the outcomes for each family are broad and complex. It can take considerable time for pre- and post- outcomes to be gathered, and relies on the user completing the full 'dose' or service offering (e.g. 5 of 5 mediation sessions) prior to completing the post survey. Some services and related outcomes span years. However, while some of these issues pertaining to complexity and time are acknowledged, the Commission in its draft report goes on to recommend outcomes-based funding. FRSA agrees with the Commission that there is a considerable way to go before user outcomes are fully identified and measured across all areas of family and community services (page 217 of PC draft report). The same applies with the use of performance management frameworks.

To do this, however, is not straight forward. To measure client outcomes providers need to use the correct measure. Our sector has been working diligently over the last few years in particular to develop and use the right measures for client outcomes (as distinct from a benchmarking functionality), including by accessing the DSS funded Expert Panel project. There is a particular project underway through the Victorian Partnership of Family Relationship Centres (VPFRC) which is attempting to develop an outcomes measurement framework for the very complex area of service delivery – Family Dispute Resolution. This work is not without its challenges. It is however, a work in progress and FRSA is not in a position to share more detail with the Commission at this point in time. However, we look forward to sharing the results (through those involved in the project) when it is complete. Which is likely to be later this year.

FRSA agrees with the Commission (on page 224 of the draft report) that:

Given the number of outcomes frameworks currently in use and under development, consistency is unlikely to be achieved soon. Although nationally consistent approaches might be desirable in principle, the first and much more important task is for governments to implement outcomes frameworks. There is, however, a risk that inconsistent frameworks will add unnecessarily to provider costs and undermine the ability of governments to coordinate in the longer term. To avoid this, there

is merit in the Australian Government and State and Territory Governments working together to maximise the complementarity of outcomes frameworks, with an eye to achieving consistency where this is possible.

Person-centred outcomes frameworks

The family and relationship services sector also supports the more specific need to measure client outcomes to determine the performance of providers, and agrees with the Commission (on page 223 of the draft report) that there is potential for this to inform the government's selection of providers and evaluation of providers, programs and systems.

The Commission identifies as a key point on page 199 of the draft report that government better understanding user needs and what works in meeting their needs would assist the establishment of person-centred outcomes frameworks as the basis for information collection, performance evaluation and contract management. FRSA cautions that should person-centred outcomes frameworks be developed and implemented by government, fair and realistic person-centred outcomes must be identified. In doing this, the limitations to person-centred outcome measuring must be kept in mind, including:

- not every person can be helped;
- not every client needs to be helped in the same way;
- clients often do not complete the 'dose' of service prescribed them;
- pre- and post- measurement can be difficult or impossible when clients do complete the dose; and
- not every impact will be or can be measured.

Similarly, benchmarking services/organisations against one another is problematic. Even in the one locality service objectives, service provision and users' needs vary significantly, as do an organisation's approaches to measuring user outcomes.

There was consensus among FRSA members at the FRSA Strategic Leadership Forum in Canberra on 28-29 March 2017 that a 'one-size-fits-all' approach or standard is not appropriate, and there is considerable costs to government and service providers in developing systems. While consistent outcomes frameworks could reduce the administrative costs of data collection for providers with several contracts, for some providers a highly-detailed national system might add to the administrative burden, and existing frameworks might be better tailored to their services.

As outlined by the Commission, in determining the success or otherwise of funded services, numerous factors must be recognised, including:

- outcomes can take many years to achieve;
- it is impossible to recognise every impact that a service achieves;
- factors other than service provision contribute to changes in a person's wellbeing;
- attributing outcomes to services is not feasible in many cases.

Due to this inability to directly link user outcomes with service provision, there are significant implications in contract management to determining satisfactory and unsatisfactory service performance based on outcomes measurement.

As family and relationship services have been working with government, particularly DSS, to develop outcome measures and outputs, FRSA queries the third paragraph (commencing 'In developing outcome measures ...') in the Commissions' Draft recommendation 7.3 (page 221 of draft PC report):

PC Draft recommendation 7.3 *The Australian, State and Territory Governments should prioritise the development of user-focused outcome measures for family and community services — indicators of the wellbeing of people who use those services — and apply them consistently across all family and community services.*

Governments should also identify outputs from family and community services that can be used as proxies for outcomes or measures of progress toward achieving outcomes.

In developing outcome measures and outputs, governments should define the indicators broadly so they can be used in provider selection, performance management and provider, program and system-level evaluations across the full range of family and community services.

While there are problems with organisations using multiple measures to identify the impact of their service delivery, FRSA’s reservations include how the same user-focused outcome measures can be applied across all family and community services. Family and relationship services vary extensively, from child protection to family violence services to marriage counselling, with each service-type aiming to achieve user outcomes applicable to its service offerings. Services extended to a mother needing to quickly flee violence at home requires greater urgency and different outcome measures than a service response to a family member who is out of work. FRSA calls on government to conduct greater consultation with the sector should it choose to enact this aspect of the recommendation.

Different layers of measurement may be necessary, depending on the issues being addressed. If the measures are too high-level they will produce only general information that will ignore the complexity and breadth of challenges many service users face, but if the information is too granular it can also be unworkable.

Greater consultation with providers and users in the sector as well as researchers specific to the sector (for a robust, informative research-policy-practice interface) is also beneficial toward government identifying what outputs from services can be used as proxies for outcomes or measures of progress toward achieving outcomes. Ongoing care and consideration in factoring in all external factors that impact on and impede user outcomes when using output and outcomes measures as well as indicators in any future performance management, sector-wide evaluation and selection of providers.

The discourse on page 210 of the draft report significantly underestimates how well community sector organisations understand clients and the information we hold and analyse (including standardised measures and information to inform risk and assessment tools that are superior to what’s being collected as part of DEX). Government often do not understand how much information we collect because they have traditionally only asked for a small subset of outputs.

FRSA suggests that the work of DSS, AGD and other Government Departments, research organisations and the family and relationship services sector (and broader family and community sector) be taken into consideration when determining future directions in outcomes measurement, monitoring of providers’ performance, selection, evaluation.

Providers must be adequately funded to adequately report on outcomes. It must also be kept in mind that each time governments develop a new outcome it costs providers more money to change their systems, educate staff and collect data from clients. This substantially increases the cost of service delivery but is rarely funded.

FRSA also agrees that current levels of evaluation is inadequate, and government should increase the number of programs that are evaluated and the quality of the evaluations (page 222 of PC draft report). However, adequate funding needs to be extended to providers to carry out quality evaluations. FRSA also supports: evaluating service providers, programs and systems in ways commensurate with their size and complexity; proactively supporting the sharing of data between governments and departments; and the release of de-identified data to service providers and researchers, and developing processes to disseminate the lessons of evaluations (in draft recommendation 7.4):

FRSA supports conditionally the Commission's draft recommendation 7.4 (page 227 of draft PC report):

PC Draft recommendation 7.4 *The Australian, State and Territory Governments should improve systems for identifying the characteristics of service delivery models, service providers, programs and systems that are associated with achieving outcomes for the people who use family and community services. To achieve this, governments should:*

- *monitor the performance of providers of family and community services in achieving outcomes for service users*
- *evaluate service providers, programs and systems in ways that are commensurate with their size and complexity*
- *proactively support the sharing of data between governments and departments, consistent with the Commission's inquiry report Data Availability and Use*
- *release de-identified data on family and community services to service providers and researchers.*

FRSA is supportive of improving evaluation processes and data coordination, although similar complexity and efficiency issues arise in the interrelationship of different funding processes that have different expectations and rules. Over the years different quality standards for governance, management and appropriate financial supervision have generated their separate independent review cycles, with providers often being subjected to multiple reviews, which do little to improve the quality of service clients receive. Various layers of government monitoring between funding bodies and across governments often review the same things but in slightly different ways. Better coordination of the various layers of existing monitoring would be welcome and could allow service providers to focus on the provision of services and continuous improvement.

FRSA recommends:

- 6. That government give greater fiscal support to the sector to assist organisations to upskill current staff and to attract and retain new staff with the skills required for effective outcome measurement.**
- 7. That providers be consulted prior to and during any future initiative in designing new data standards for outcome reporting, for government to identify where a common national system is inadequate and inefficient in providers reporting on outcomes tailored to their service, and to identify what (if any) outputs from services can be used as proxies for outcomes.**
- 8. That providers receive full remuneration for: costs accrued in adopting any newly developed system or data standards for outcome reporting (including the purchase of hardware and software); carrying out quality evaluations; and employing and training staff with capacity and capabilities in data management and analysis.**
- 9. That government and particularly contract managers factor in the inability to directly link user outcomes with service provision when assessing providers' performance into the future.**

Contract management practices

While FRSA supports some of the aspects of contract management practices proposed by the Commission (including longer and more certain contracts) there are other aspects it does not support (including aligning payment with the real (not 'efficient') cost of service provision, and 'relational' approaches to contract management).

Support for longer and more certain contract terms

FRSA strongly supports the longer terms of contracts/grant agreements for the Family and Community Services under Draft recommendation 7.5 (page 227 of PC draft report):

PC Draft recommendation 7.5 *The Australian, State and Territory Governments should set the length of family and community services contracts to allow adequate time for service providers to establish their operations, have a period of stability in service delivery and for handover before the conclusion of the contract (when a new provider is selected).*

To achieve this the Australian, State and Territory Governments should:

- *increase default contract lengths for family and community services to seven years*
- *allow exceptions to be made, such as for program trials which could have shorter contract lengths*
- *provide justification for any contracts that differ from the standard term*
- *ensure contracts contain adequate safeguards to allow governments to remove providers in any cases of serious failure.*

It is heartening that the Commission acknowledges the importance of the timing of contracts. The need to build trust and standing in community - through the children, families and communities we work has often been highlighted as a key factor in achieving desired outcomes. FRSA agrees that increasing default contract lengths to seven years will lead to greater market stability, facilitate investment by providers in service quality and give users greater continuity of service. FRSA agrees that short contract terms (e.g. three years) present barriers to planning, collaboration with other providers, innovation, investment in staff and staff retention. There has been a history of service providers not being able to plan ahead and foster partnerships and consortiums due to short funding periods and extensions, and general future uncertainty. This has often impacted on users, and entire communities—as often seen in Indigenous communities where trust between providers and users takes months, even years, to develop. FRSA accordingly commends the Commission for acknowledging the need for longer timeframes—especially when working with Aboriginal and Torres Strait Islander communities.

FRSA members at the FRSA Strategic Leadership Forum in Canberra on 28-29 March 2017 identified there is great social value in Australia's not-for profit sector, including the family and relationship services sector and more broadly the family and community sector, and identified the need for our sector to better communicate it and increase it further. One way to further increase the social value of our services is by introducing long-term funding. Service providers spend too much time seeking short-term funding, distracting them from delivering and improving services, and governments slip into contract management mode rather than adding value to long-term efforts of providers.

Provided there is performance monitoring along the way, with attention given to theories of change, new ways of doing things and staff turnover, FRSA commends the Commission's recommendation for seven year contract terms. FRSA concurs with the Commission that a seven year contract term would "result in governments undertaking fewer grant rounds each year, freeing resources to be used in more productive activities, such as better service planning and the identification and dissemination of best practice" (page 226 of PC draft report).

Adequate and fair measures for providers to report outcomes to government can be negotiated in consultation with the sector. FRSA could work with the Commission to consult with FRSA member organisations who deliver family and relationship services. In implementing the recommendation, government should hold providers accountable for the way they spend government funds, including a “genuine threat of replacement if another provider can do the job more effectively” (page 210 of PC draft report).

In awarding longer contracts, FRSA agrees with the Commission that it is important for government to ensure contracts contain adequate safeguards in any cases of serious failure by providers. It is noted that numerous safeguards are already in place, but there needs to be greater: consistency in how and when performance clauses are activated; transparency when penalties or cancellations are pursued; and progress in reducing duplicated and onerous regulation (e.g. overlapping quality standards and supervisory processes). In addition, all community members need to be assured that safeguard measures will be implemented whenever there is a need.

As noted by the Commission, a default term of seven years may not be appropriate in every circumstance, and in some circumstances, such as when experimenting with a new service or reforms, governments should retain the ability to set alternate terms, provided government publicly justifies departure from the default.

When looking at the practicalities of longer term funding cycles, a critical factor to take into account regarding the duration of contracts/grant agreements is whether the objectives to be achieved are intended to be met across the term of the contract/grant agreement or within smaller timeframes within the total term of the contract/grant agreement.

The existing practice has funds distributed to service providers in either six monthly or twelve monthly instalments. The timing of payments (dates) is generally prescribed in the grant agreements for the life of the grant agreement. Which, for a large proportion of our members, have been five year grant agreements (with some members only attracting one or two year grant agreements). For those grant agreements over multiple years it has been a requirement by the funders that any unspent funds at the end of a financial year be returned to Government. I.e: if my funding allocation for financial year 2016/2017 was \$100,000 out of a total \$500,000 over a five year term but I failed to spend the total \$100,000 within a twelve month period – I would need to return the unspent portion. A forfeit of sorts – given that the unspent funds are not then returned to the service provider in the subsequent financial year. It should be noted that there is capacity within the existing system to ‘negotiate’ with local Grant Agreement Managers as to whether or not the funds can be kept – if good reasons can be provided as to why the funds are unspent and how they will be spent in the next financial year.

This does appear to be micro-management of the funding arrangement when the grant/contract itself is intended to run over multiple years. It is acknowledged that there would be a point at which risk becomes a significant factor from the Government’s perspective in arrangements where providers are receiving a significant allocation of funding – but this is an issue of proportional risk that should be looked into further.

FRSA recommends that unspent funds in a financial year within a multiple year grant/contracting agreement not be returned to government but should be able to be used by the service provider to meet the longer term objectives of the program/services across the life of the grant/contract agreement. These decisions should, notwithstanding key issues around risk, be within the control of the funded organisation. FRSA does not dispute the need to return any unspent funds at the completion of the contracted period, i.e: at the end of the 7 year term.

Aligning payment with the real (not the ‘efficient’) cost of provision

FRSA has concerns regarding the use of the word of “efficient” in Draft recommendation 7.6:

PC Draft recommendation 7.6 *The Australian, State and Territory Governments should provide payments to providers for family and community services that reflect the efficient cost of service provision.*

While FRSA concurs with the Commission that “aligning funding available to service providers with the cost of achieving outcomes” is essential and would stem from governments increasing their understanding of what works best to meet users’ needs, caution is required to provide fair and reasonable remuneration to providers to align with the real costs of service delivery

FRSA queries the use of the word “efficient”. Again, considering the increase in for-profit organisations providing services, this is additionally concerning. FRSA concurs with the Commission that, regardless of the sector, when funding from government is not based on the costs of achieving outcomes for users and service providers have discretion over who they serve there is a risk that providers may ‘cherry pick’ clients who are relatively low cost to serve (as indicated by the Commission on page 228). Funding and reporting arrangements can also constrain a provider’s ability to invest and undertake other activities associated with service improvement. Contracting should align payment with the full costs of achieving outcomes for people and account for factors that cause costs to vary.

The word “efficient” requires unpacking. The needs of users of family and relationship services are complex, and hence the services to meet user needs also require a degree of complexity and thoroughness. The complexity of holistic service delivery to meet the real and complex needs of some of Australia’s most vulnerable people (e.g. women and children facing domestic violence) needs to be factored in to the provision of payments. The “efficient”—or, rather, the real cost of service delivery needs to be carefully calculated accordingly in order that providers are not short changed. FRSA reiterates the Commission’s acknowledgement of the considerable costs associated with data collection, analysis and contract design. FRSA agrees that the analysis required to estimate the costs of provision is likely to be complicated and costly, and governments should initially focus on making use of the data they already collect and identifying the information required to improve their estimates and contract design over time.

‘Relational’ approaches to contract management

What exactly is meant by ‘relational approaches’ to contract management (in draft recommendation 7.7 – on page 233 of PC draft report) is unclear and to some extent, discussed as if a new concept:

Draft recommendation 7.7 *The Australian, State and Territory Governments should:*

- *train staff to increase their capacity to implement outcomes-based approaches to commissioning and relational approaches to contract management*
- *trial relational approaches to contract management in family and community services.*

In looking at the option of ‘relational’ approaches to contract management it is recommended that the Commission consider the Commonwealth Government’s current funding of not-for-profit organisations through Commonwealth Grants in the family and community services sector.

In the Foreword to the Commonwealth Grant [Rules and Guidelines 2014](#), Minister Mathias Cormann explains the purpose of Grants:

Grants are widely used to achieve government policy objectives, involving the payment of billions of dollars each year to the non-government sector. Grants provide significant benefits to many Australians, through the Government working in partnership with individuals and organisations to deliver outcomes for the Australian public.

Further the Grant Rules and Guidelines 2014 lists the Objectives of grants administration:

- 2.1 *The objective of grants administration is to promote proper use and management of public resources through collaboration with the non-government sector to achieve government policy outcomes.*
- 2.2 *This objective is supported by:*
 - a. *the legislative, policy and reporting framework for grants administration set out in Part 1 of the CGRGs;*
 - b. *the seven key principles for better practice grants administration, discussed in Part 2 of the CGRGs: robust planning and design; collaboration and partnership; proportionality; an outcomes orientation; achieving value with relevant money; governance and accountability; and probity and transparency; and c. the entity's specific grants administration practices."*

Theoretically, the Commonwealth Grant Rules and Guidelines do share the same objectives and principles as those the Productivity Commission attributes to the notion of 'relational' approaches to contracting.

FRSA does note that the theory has not always been realised in practice. The 2014 DSS Grants Procurement process was a significant case in point. Further, that the current Commonwealth Government Grants and associated Workplans are certainly far more prescriptive and far less reliant on trust and relationships than they have been historically. Perhaps the Commonwealth Grants regime should be looked at more closely given their stated objectives of creating a funding regime that promotes shared trust, the meeting of relational objectives, partnership approaches, better planning and much greater flexibility in the delivery of family and community services. There is benefit in peeling back the layers that have clouded the theoretical intention of the Commonwealth Grants Program, which has been strongly driven by the Government's management of perceived risk. The issue of 'relational approaches to contract management' is an issue that requires significant discernment regarding proportional risk and the ability and mechanisms by which governments, services providers and consumers can work collectively to achieve shared outcomes. Especially if it is to stand the test of many of the risks identified by the Commission in the Draft Report, ie: reduction in contestability if government developed close relationships with providers, susceptibility to issues of conflict of interest, potential to be haphazard etc.

Greater flexibility in contract terms and delivering on set outcomes

FRSA agrees that greater flexibility in contract terms and delivering on set outcomes would lead to achieving much greater outcomes for users. Contract terms are all too often excessively prescriptive and constrain providers from being responsive to the needs of users (see page 209 of PC draft report). Governments' aversion to risk can constrain or prevent innovation that would improve service quality and efficiency. People must have choice about services and providers as much as possible. When they cannot exercise choice there must be somebody who is in place to make decisions that are in the best interests of the person using the service.

FRSA concurs with the Commission that:

Service providers are better placed to achieve positive outcomes if they have clear expectations of the intended outcomes of the services they are commissioned to deliver, adequate funding for sustainable service delivery and enough flexibility in their contracts to determine and implement the most effective approach for each person they serve (page 209 of PC draft report).

FRSA recommends:

- 10. That the government/Commission consult with a broad representation of family and relationship service providers prior to determining and trialling new relational approaches to contract management to determine the costs, limitations and benefits of the approaches.**
- 11. That the Commission place greater emphasis on the need to provide payments to providers that cover the real costs of delivering holistic services in response to real, complex needs rather than merely for an 'efficient' cost of service provision.**
- 12. That governments, DSS in our particularly field, review the current practice of requiring unspent funds in a financial year to be returned to government within a multiple year contracting arrangement.**

Full list of FRSA recommendations

1. That government consult with family and relationship service providers, and family and community services providers more broadly, to enhance its understanding of user need and characteristics across the system as a whole.
2. That proper and full compensation be extended to family and community service providers for their time and resources in contributing to the development and use of the recommended activities.
3. That government recognise the risks of not discriminating between for-profit, not-for-profit and mutual organisations, and the harm to volunteerism and the overall reduction of the social value to community should government funding of not-for-profit sector be opened up to for-profit organisations.
4. That government fairly and reasonably compensates providers for the collaboration with other providers that government expects of them.
5. That government consult with providers (including family and relationship service providers) prior to adapting selection processes.
6. That government give greater fiscal support to the sector to assist organisations to upskill current staff and to attract and retain new staff with the skills required for effective outcome measurement.
7. That providers be consulted prior to and during any future initiative in designing new data standards for outcome reporting, for government to identify where a common national system is inadequate and inefficient in providers reporting on outcomes tailored to their service, and to identify what (if any) outputs from services can be used as proxies for outcomes.
8. That providers receive full remuneration for: costs accrued in adopting any newly developed system or data standards for outcome reporting: carrying out quality evaluations; and employing and training staff with capacity and capabilities in data management and analysis.
9. That government and particularly contract managers factor in the inability to directly link user outcomes with service provision when assessing providers' performance into the future.
10. That the government/Commission consult with a broad representation of family and relationship service providers prior to determining and trialling new relational approaches to contract management to determine the costs, limitations and benefits of the approaches.
11. The Commission place greater emphasis on the need to provide payments to providers that cover the real costs of delivering holistic services in response to real, complex needs rather than merely for an 'efficient' cost of service provision.
12. That governments, DSS in our particularly field, review the current practice of requiring unspent funds in a financial year to be returned to government within a multiple year contracting arrangement.