



SYFSSubmissionPCHumanServicesDraftReport2017

14<sup>th</sup> July 2017

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

Dear Commissioner,

***Re: Comments on Draft Report: Reforms to Human Services -  
Introducing Competition and Informed User Choice***

Thank you for the opportunity to comment on the Draft Report: Reforms to Human Services - Introducing Competition and Informed User Choice (the Draft Report). The comments in the sections below relate to Social Housing and Family and Community Services.

**Background about Southern Youth and Family Services:**

Southern Youth and Family Services (SYFS) is a Not-For-Profit; community-based organisation that delivers a uniquely integrated model for disadvantaged young people aged 12-24 years and their families in the Illawarra, Shoalhaven, Southern Tablelands, Queanbeyan, and Far South Coast areas. SYFS delivers supported accommodation; social housing; outreach services; family / youth early intervention support and counselling programs; mediation and home visiting; education (as an approved alternative school) and training services; pre-employment support and work experience; support for those newly arrived in this country (including refugees); youth health services; out of home care; and supported independent living programs. Our clients include those who are homeless or at risk, those involved in the child protection / out of home care / justice systems and those seeking to engage in employment, education, or training.

The SYFS model integrates mainstream / specialist government funded programs, with philanthropic and self-funded services, including a social enterprise. SYFS is a nationally registered Tier 2 Community Housing Provider and the largest specialist youth social housing company in Australia. Its continuum of housing and support programs has earned it an international reputation of excellence. This success is also evidenced via formal evaluation by the University of Wollongong and various awards, including most recently, the "NSW Premier's Award for Reducing Youth Homelessness – 2016". SYFS was also awarded the "National Award for Excellence in Supporting Pathways to Employment or Education" and was highly commended for the provision of quality Homelessness Services at the inaugural National Homelessness Services Achievement Awards. Other outcomes are identified in the SYFS Annual Report 2015-16.

**User Choice and Contestability in Social Housing:**

The Productivity Commission has proposed to transition all social housing clients (public and community) to private market rent within 10 years. Social housing clients would no longer pay a fixed proportion of their income on rent. Eligible clients would receive the Commonwealth Rent Allowance (CRA) which would increase by about 15 per cent (and be indexed to reflect changes in rental prices nationally).



Where clients demonstrate the need for further financial assistance, State and Territory Governments would be expected to provide an additional high-cost housing payment. The Productivity Commission has assumed that Community Housing Providers (CHPs) charging market rent would have more funding than is currently the case, and more revenue than is needed to cover the cost of tenancy management services. The Productivity Commission has also suggested State and Territory Governments may retrieve some of this revenue by charging CHPs a dividend for the properties they manage to fund the high-cost housing payment.

National Shelter and the NSW Federation do not support the move away from income set as a proportion of income in social housing. SYFS agree with this position. The proposal is unrealistic and will not work. CHPs will not be able to transition social housing clients to market rent within 10 years (even with an increase in CRA of 15%) given the increasing complexity of clients over the past few decades. State and Territories will also not be able to raise the revenues expected from CHPs by charging social housing clients market rent. SYFS is particularly concerned that no genuine and sustainable funding source has been identified to make this high cost payment. It is therefore questionable who would be eligible. Legitimate demand will certainly outstrip available funding for the high cost payment and create a new class of disadvantaged in the private rental market - pushing the problem back onto the community.

The other concern is the net reduction in benefits for social housing clients. It does not make sense to level the playing field for clients in the private rental market by lowering the standard of living for clients in social housing. As the Productivity Commission has noted, only 0.5 per cent of people on low-incomes in public housing spent more than 30 per cent of their income on rent, but 40.1 per cent of CRA recipients spent more than 30% of their income on rent in 2013. The increase in CRA of 15% will not be sufficient to overcome this inequity. There must be a clear expectation that no clients will be worse off and/or forced into housing stress. The better alternative is that rent as a proportion of income would be applied to all eligible clients in social housing and the private rental market. This would genuinely enable clients to exercise more choice and freely move across both sectors. The other benefit of rent set as a proportion of income is that it maintains the link between income and housing subsidies which is too often overlooked in joint policy development between the Commonwealth and States. Again, the Productivity Commission itself has noted that most of the growth in CRA outlays has been the result of more people becoming eligible for income support and family payments. Accordingly, access to affordable housing is as much about income support as it is about the cost to access and sustain safe and appropriate housing.

The Productivity Commission has also underestimated the fundamental challenge of moving clients onto market rents and/or out of social housing. If this was possible, it would have been achieved by changes to current housing policy within each jurisdiction, but it has not occurred due to the overwhelming difficulty of this task. Forcing social housing clients onto market rent or out of social housing within 10 years will act as a trigger, but it will not resolve the underlying problem that many clients in social housing simply cannot access sufficient incomes and/or do not have the skills to live independently. More importantly, it fails to address the structural inequities that exist within society that discriminate against disadvantaged people and which make it harder for them to access adequate incomes and/or and live independently. Forcing social housing clients onto market rent and out of social housing will change this from being a 'housing' problem to an 'income' and 'support' problem which will require more welfare and resources over time.

Indeed, housing assistance operates alongside a much broader range of welfare supports and mainstream and specialist services. As such, the interactions between welfare, housing assistance, and other sectors, such as homelessness, child protection, domestic and family violence, aged care, health, justice, disability etc. also need to be considered. Indeed, careful thought must be given to how existing costs will transform as an outcome of this reform. New 'income' and 'support' costs will become more acute as States and Territories transition social housing clients onto private market rent and will remain higher over time to sustain tenancies. Many reforms that have occurred over the decades have given preference to clients with complex needs within these sectors to live in social housing. Moving these clients back to private market rent and/or out of social housing will create new 'income' and 'support' costs. This burden will then fall to community organisations to advocate for higher welfare supports and provide unfunded support services.

This will create more pressures on an already stretched service system. There are already extraordinary levels of unmet demand in these program areas and insufficient outreach services across regional and remote communities. The proposal does not also deal with the extremely difficult issue of intergenerational disadvantage and the difficulty of moving families with complex needs that have lived in social housing for generations onto market rent and/or out of social housing without adequate incomes / supports / skills.

In this context it is a misnomer to pretend that clients will have more choice. The proposal provides administrative simplicity and greater transparency in coordinating Commonwealth and State housing assistance and welfare. This is not to say that such issues are not worth pursuing, but the Draft Report should recognise the limitations of the environment on 'choice' and how it is constrained due to the complexity of existing clients, structural inequity within society, the scarcity of housing, and the sheer expense of welfare / supports required to assist disadvantaged people. Moving clients onto private rental will not create more choice unless clients / providers can afford this option. Clients will be limited to what is affordable (which will be disadvantaged, isolated regional or remote areas) and be at the mercy of States and their generosity in granting the high cost payment. Indeed the level of this payment, to whom, when, and where is unknown. 'Choice Based Letting' is also an illusion given the small percentage of social housing in Australia, the enormous waiting lists, and the intractable disadvantage experience by many social housing clients.

To deliver successful policy in this environment of fiscal constraints, the Productivity Commission must recognise the potential for significant cost shifting between levels of government. The roles and responsibilities of the Commonwealth and States need to be clarified as a matter of urgency. The NGO sector needs to hear each jurisdiction's view before it can make full sense of this proposal and agree on any concrete way forward. These issues were raised in a lot of detail in work to support the 'Reform of the Federation White Paper - Roles and Responsibilities in Housing and Homelessness (Issues Paper 2, December 2014)'. This work has been suspended but sought answers to serious questions along these lines, which as yet have not been answered. The greater fear for NGOs is that Commonwealth cost shifting to States usually results in States costing shifting to the sector (and more demand / unfunded risk).

SYFS acknowledge the Productivity Commission has recognised the need to safeguard tenant rights in the advent of more clients in the private rental market. SYFS believe the answer to increased user choice is to agree on a set of basic set of rights to housing. The experience in Scotland outlined by Watts (2014) demonstrates the benefits of clear and simple legal rights, to minimise service provider discretion, enhance user assertiveness, and reinforce the legitimacy of such assertiveness in the community. The effect of these rights in Scotland occurred without fatally undermining the self-reliance of users and community expectations of mutual obligation. On the contrary these rights actually increase self-reliance by arming those with poor self-worth or learned helplessness with a genuine sense of entitlement. Strategic policy agendas that support this pursuit include 'Economic Security' and 'Social Justice'. This type of thinking is driving work around the 'Social Determinants of Health' in Canada and has been included front and centre in key strategic documents within the USA and the UK. For example the USA Strategic Plan for Homelessness and the UK Government's Social Justice Strategy called 'Transforming Lives'.

Affordable housing is another structural issue that must be taken up by the Productivity Commission if it is genuine in promoting more user choice in Social Housing. This lies at the heart of many problems faced by SYFS, especially the shortage of housing and supported accommodation models required to meet the diversity of client needs, and the paucity of long term exit options for young people in crisis or transitional accommodation who are homeless (or at risk) and leaving the out of home care / juvenile justice systems. It is critical that a variety of models and services are available as there is no single solution. There are many supply based solutions that medium-sized CHPs like SYFS, which have significant capital portfolios and revenue streams, could be engaged to pursue with the governments and the private sector. Unfortunately these options are typically explored with larger Community Housing Providers who lack the expertise and specialty to deal with key target groups such as youth. In addition, there is a critical demand for capital funding to build and renovate properties to realise the diversity of housing and supported accommodation models needed, especially for young people (often required until they achieve full independence).

## **Commissioning Family and Community Services:**

SYFS agrees that the processes that governments have used to fund and contract services have been haphazard, and designed to minimise risk and maximise convenience for governments. Poor funding and contract management has been a barrier to service quality, efficient resource allocation, responsiveness to the needs of people experiencing hardship and effective accountability. As a point of clarification, SYFS disagrees with the assertion that governments have been ‘commissioning’ services. Commissioning requires proper engagement of the sector, which has not occurred as yet. Moreover, before deciding on the introduction of concepts such as commissioning, SYFS believes that governments should engage the sector beforehand about its interpretation, potential application, and how it could be implemented in partnership. Commissioning is reliant on positive engagement between governments and the sector. Simply calling it that without any significant change to practice by government will not make a difference.

As a further point of clarification, SYFS believes the ‘government service system’ (not the entire services system) has evolved without any coherent plan, where ‘government agencies’ make decisions about service provision in ‘silos’ and risk aversion drives an excessively prescriptive and government-centric approach to contract management. SYFS view is the sector has grown progressively in an increasingly integrated way since the early 1970's in response to inadequate funding and poor planning / management by government. SYFS also believes that the Commonwealth and States must better articulate which areas they have responsibility for and not duplicate and or micro-manage their respective areas of responsibility.

SYFS agrees that people who use family and community services are not always in a position to exercise informed choice. However, the system can and should put their interests at the centre of service provision. SYFS believes this should occur through two types of advocacy which the sector is funded to provide. The first is individual advocacy on behalf of clients; and the second is public advocacy to address higher level policy issues (and which address structural inequality and appeal to larger program or population cohorts). SYFS view is that the Not-For-Profit sector has significant expertise and history in this area.

The Draft Report notes that governments could improve their understanding of user needs and what works, and unlock the potential of providers to achieve better outcomes by implementing a range of changes to commissioning processes (e.g. systematic service system planning, adjusting selection processes, person-centred outcomes, standard contract terms, relational approaches, and aligning funding with the cost of achieving outcomes). Whilst SYFS appreciates the points recommended, it also considers that the Productivity Commission has overlooked the option of the government simply asking the sector how to improve its understanding and how it could achieve better outcomes. NGOs within the sector like SYFS have decades of experience providing quality services and know the needs of their communities and clients well. The sector also collects volumes of data which it analyses regularly to inform and improve service delivery. This type of joint planning was done well with programs like the Area Assistance in NSW.

SYFS appreciate the need for the Australian, State and Territory Governments to work together to develop and publish data-driven maps of existing services; analyse the characteristics and needs of the service user population; undertake more targeted system and program design; and develop service plans to address the needs of people experiencing hardship. However, it should be noted that many of the maps and much of the planning / analysis undertaken in the past went quickly out of date. The problem with these sorts of resources is that they are generally designed for a single purpose / point in time / audience and therefore not flexible or relevant to a range of situations; and they require intensive ongoing administration to remain current. SYFS believes that such resources should be populated using information held by governments in the first instance and any processes to validate or update them should be streamlined as far as possible. SYFS also recommends that the boundaries used to support regional planning resources of this nature should be realistic and naturally occurring (representing sustainable formations of services / clusters). There has been a tendency by governments in the past to frequently change regional boundaries and/or make regional boundaries so big that they are an unrealistic size to service and integrate delivery across providers.

SYFS appreciates the Australian, State and Territory Governments desire to adjust provider selection processes to reflect the importance of achieving outcomes for users and designing selection criteria that focus on the ability of providers to improve outcomes. However, SYFS does not agree with linking funding to outcomes. SYFS believes that this will take some time to develop and there must be some way to manage the non-achievement of outcomes outside the control of providers (e.g. structural inequity or unforeseen community issues such as a large scale industry closure leading to job losses). Moving to outcomes is a long term goal. It must be done collaboratively between governments and the sector and must be realistic (e.g. the attainment of an outcome for a young person may not be obvious within a funding period but the benefit of service delivery may be seen later when the young persons forms healthy relationships). Moreover, government changes to policy and/or funding across jurisdictions and programs areas must be factored into the ability of providers to achieve outcomes. In the meantime, SYFS hold the view that the collection of outcomes should only be used to inform the assessment of performance along with other indicators.

SYFS believes that governments should discriminate on the basis of organisational type especially in sectors that do not lend themselves to profit making such as Child Protection, Out of Home Care, and Homelessness. SYFS does not believe it is morally right to profit from disadvantage people. The strength of the Not-For-Profit sector is characterised by its ability to re-invest savings that emerge from effectiveness, efficiency, and innovation back into clients and local communities. This re-investment is crucial in what may be best described, as a chronically underfunded human service system. This reinvestment also comes in the form of volunteerism, voluntary Boards and governance, social capital and building community, community engagement, and reinvestment in community (e.g. building houses and subsidising services).

It does not make sense how any provider could profit from sectors such as Child Protection, Out of Home Care, and Homelessness when the funds provided by government and the standards imposed on service delivery make it impossible. Many costs are fixed and reflect prescribed staffing ratios, non discretionary client costs, and capital / maintenance. A further requirement around staffing is the need to comply with Award rates and conditions and/or the prescribed use of specialist / qualified staff (e.g. therapeutic care). Many costs are not even included in funding, such as training costs, staff relief, and measures to maintain the safety and wellbeing of clients and staff. Given the prescriptiveness of government contracts and the duty of care requirements of Boards, it's difficult to see how profits can be made without compromising service quality and/or cherry picking profitable client groups. There are many examples that have been tested in the Industrial Commission that SYFS is happy to provide for the Inquiry where For-Profit providers have compromised staff numbers, rates, conditions, and ultimately service quality to achieve profit.

Another significant issue is the perverse consequences that emerge when For-Profit providers experience pressures on earnings. The needs of the user are always subservient to financial growth. As unfunded demand or client complexity increases and/or funding from governments become scarce, For-Profit providers' exercise more discretion over which users access their services. For-Profit providers also rationalise responses and/or limit the number of unprofitable clients assisted. They adjust through reductions in quality, responsiveness, and the equity of services. For-Profit providers also adjust by imposing higher standards of mutual obligation upon users. This means that disadvantaged people who cannot overcome poor self-worth, trauma, addiction, and challenging behaviour are expected to fend for themselves. These gaps are typically left Not-For-Profit provider and local communities to pick up the pieces. Sectors such as Child Protection, Out of Home Care, and Homelessness are not able to meet current demand. Especially demand by more complex clients. This does not bode well for the introduction of For-Profit providers and market based systems in an environment where governments are constantly seeking to curb expenditure, shift more responsibility to users through mutual obligation, and abrogate more unfunded risk to providers. In this environment, For-Profit providers will be compelled to compete at all costs. Again, the gaps created will have to be picked up by Not-For-Profit providers and local communities.

The other significant issue is the myths that accompany For-Profit providers. They are not proven to be more effective, more efficient, and more innovative. However, it is these assumptions that often drive much of the passion around their inclusion. This needs to be proven given the private sector is known for its cyclic market failures, its inherent greed at all costs, and its acceptance of bankruptcy in the pursuit of entrepreneurialism. Again there are many examples which SYFS can provide within Australia (e.g. ABC Childcare Centres) and the UK (e.g. child protection). Unfortunately, these risks do not just result in financial losses for For-Profit providers but jeopardise the lives of most vulnerable and disadvantaged people in our community.

SYFS agrees that sufficient time should be allowed for providers to prepare considered responses (including the development of integrated bids across related services). SYFS believes the time of year and staggering of contracts should also be given careful consideration (with similar programs tendered as similar times).

SYFS appreciates the desire of Australian, State and Territory Governments to prioritise the development of user-focused outcome measures and to apply them consistently. SYFS also appreciates governments desire to identify outputs that can be used as proxies for outcomes. SYFS also appreciates the desire to define indicators broadly so they can be used in provider selection, performance management and provider, program and system-level evaluations. This said, SYFS maintains its position described above in relation to outcomes and not linking them to funding at this stage. SYFS also notes that the inclusion of user-focused outcomes should be balanced by the need to also consider the safety and well being staff and the public.

SYFS agrees that 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. SYFS also agree with better monitoring the performance of providers in achieving outcomes for service users. However, SYFS believes this goal must be undertaken in full consultation and agreement with the sector. SYFS also believes in the need to better evaluate service providers, programs and systems in ways that are commensurate with their size and complexity. This is a major issue for SYFS. SYFS ability to demonstrate strong governance and reporting can be independently verified through the successful achievement of accreditation, regulatory compliance, quality standards, certification, performance and accountability requirements by at least fourteen different government agencies, philanthropic groups, and oversight bodies nationally and internationally. Accordingly SYFS is inundated by unnecessary administrative requirements. SYFS has particular concerns in this context about the way in which quality, accreditation, and contract management is managed across jurisdictions. The current system is characterised by significant duplication and over-regulation and a distinct lack of clarity between the role of the accreditation body and the funding body. SYFS clear view is that these roles should be separated and funding bodies should only check that providers are accredited. A more streamlined and sensible approach is also needed so providers do not have to be accredited across multiple systems for common elements.

SYFS agrees with the sharing of data between governments and departments, the release de-identified data to service providers and researchers, and the dissemination of lessons learnt from evaluations to governments and service providers. However, this is subject to the establishment of mechanisms to ensure the right balance of privacy, commercial in-confidence, and transparency so that NGOs are informed about what information is being shared about them, to whom, when, and why. These mechanisms must also be limited to the transfer of necessary information only; and must protect the identity / location of clients.

SYFS agrees that the Australian, State and Territory Governments should set the length of 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 SYFS agrees that the default contract lengths for family and community services should be extended to seven years. In addition, SYFS believes that governments must provide clear evidence of how such commitments will be factored into the forward estimates and budgets cycles within each jurisdiction. SYFS also agrees to allow exceptions to be made, such as for program trials which could have shorter contract lengths, subject to the agreement of strict criteria with the sector as to what defines a trial. SYFS believes that governments must provide clear justification for any contracts that differ from the standard term. Finally

while ever SYFS appreciates the need by governments to ensure contracts contain adequate safeguards to allow governments to remove providers in any cases of serious failure, it does not agree with the strict conditions imposed by the NSW Human Services Agreement and can provide the Productivity Commission with a detailed list of contract terms that run contrary to the recommendations of the Draft Report.

SYFS agrees that the Australian, State and Territory Governments should provide payments to providers for family and community services that reflect the efficient cost of service provision, however believes that the sector should be involved to develop and agree on these costs in full partnership. These costs must provide funding security and articulate the full cost of service delivery and match the standards imposed by governments. For example, costs should include infrastructure, capital, maintenance, administration, management, clinical support, relief, any new qualifications prescribed by governments, training, and advocacy for individual clients and broader policy issues, and sufficient to cover the geographic area. This did not occur recently in the RFT for Intensive Therapeutic Care in NSW and the process was suspended.

SYFS agrees that the Australian, State and Territory Governments should trial relational approaches to contract management in family and community services. In particular, SYFS believes that these relationships should centre on District Contract Managers who have on-the-ground experience and connections with the sector. Too often these relationships are interrupted by Central Office staff and their agendas which conflict with the realities of client need and service delivery. SYFS also believes that relational approaches should be accompanied by significant reductions by government in micro-management, prescription, compliance, and rigidity; and government must make a genuine commitment to trust. SYFS appreciates the desire of government to train staff to increase their capacity to implement outcomes-based approaches to commissioning and relational approaches to contract management, but believes this should focus on government staff as most staff within the sector know how to do this and are putting this into practice.

Yours Sincerely,

Narelle Clay, AM  
CEO