



Australian Government
Department of Social Services

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Deputy Secretary

Human Services Inquiry
Productivity Commission
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Dear Commissioner

On behalf of the Department of Social Services, I would like to thank you for the opportunity to respond to the Productivity Commission's Preliminary Findings Report from the first stage of its Inquiry into Human Services.

The Department broadly supports the Report's findings in relation to reform of social housing, human service delivery in Indigenous communities, and grants-based family and community services. The Department is particularly supportive of the Report's acknowledgement that, in some instances, reforms other than greater competition, contestability or user choice will produce better outcomes. The Department is in the early stages of considering a stronger approach to outcomes-based commissioning that will improve appropriate use of competition, contestability and user choice, stronger system stewardship, and clearer delineation of the roles and responsibilities of all actors in social service systems.

Please find attached the Department's response to the Preliminary Findings Report. The Department looks forward to working with the Productivity Commission in developing recommendations to improve wellbeing outcomes for Australian people, families and communities.

If you have any further questions regarding this submission please contact Dr Tim Reddel, Group Manager, Policy Office

Yours sincerely

Serena Wilson

2 November 2016

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The Department of Social Services (the Department) welcomes the opportunity to comment on the Productivity Commission's Preliminary Findings Report, *Introducing Competition and Informed User Choice into Human Services: Identifying Sectors for Reform* (the Report) released 22 September 2016.

The Department concurs with the general direction suggested by the Report. The Department is supportive of increasing competition, contestability and informed user choice where appropriate, and using other reforms to improve outcomes where better suited. Whilst market competition, contestability and informed user choice may be the appropriate mechanisms to achieve outcomes, the use of these mechanisms is subservient to the Department's broader aim, which is to drive better outcomes for vulnerable Australians. Quality community services improve the wellbeing of Australians and our communities. Well-designed reform with strong government stewardship, driven by quality data and analysis, will greatly improve the benefits that community services deliver.

This response discusses the three human service areas identified for reform that are of relevance to the Department's portfolio: family and community based services, social housing, and services in remote Indigenous communities. Suggestions are made for how the approaches to reform outlined in the Report could be strengthened. The response also notes the Department is considering an outcomes-based commissioning approach (the Approach) consistent with that presented in the Report.

Grant-based family and community services

The Department agrees that grant-based family and community services could be improved through better commissioning and a greater focus on outcomes. Introduced in 2014, the Department's Data Exchange (DEX) provides a consistent outcomes framework for reporting and will incorporate outcomes data from client surveys, adding individuals' data to the evidence-base.

The Department supports better design of commissioning systems to improve outcomes and increase the benefits of innovation and contestability. The appropriate use of commissioning elements such as outcomes-based planning, procurement and evaluation, understanding community needs, service co-design, innovative funding models and improved use of data, evidence, and evaluation, have clear potential to enhance outcomes for clients. The National Commission of Audit (2014) and Competition Policy Review (2015) have also recommended governments improve their commissioning systems.

While the Report discusses the positive contribution of collaboration and competition, it does not address the tensions in fostering collaboration in a competitive funding environment. The Final Report could discuss how collaboration and competition might work together to support better human services. Further, while the report recognises the risks that increased competition poses to smaller not-for-profits, it sees this risk as stemming from a potential increase in for-profit providers. Smaller providers in the community service sectors are already experiencing risk as larger not-for-profits increase their market share. It is worth exploring how small not-for-profits can be supported to enhance their capacity, maintain volunteer networks, contribute to community development, improve innovative service design and delivery, and remain competitive to continue to contribute to market diversity.

For service providers and governments to shift to outcomes-based funding the Department recommends a focus in the report on building capacity of the sector and governments to incorporate outcomes measurement in the design and delivery of services. This will be critical for the successful evaluation of programs and determining what works, as the Report highlights.

Human services in remote Indigenous communities

Outcomes and access to services are particularly poor for remote Indigenous communities. While not having primary responsibility for the Indigenous Affairs portfolio, the Department still plays a significant role in services to Aboriginal and Torres Strait Islander people in remote communities. The Department concurs there are issues in how these services are coordinated and funded. Needs and objectives are poorly understood, resulting in instances of duplication or service gaps and responsibility and accountability for remote Indigenous service delivery fragmented across agencies and levels of government.

Outcomes-based commissioning offers a path to improve coordination, integration, effectiveness and efficiency of remote Indigenous programs. As outlined in the Report, consideration of location based user characteristics and supply characteristics are important in the future design and delivery of services for remote Indigenous communities. These will be included in the Department's consideration of outcomes-based commissioning along with using co-design in the development and planning of human services.

The preliminary findings relating to human services in remote Indigenous communities should provide further focus on the role Government might play in developing and sustaining a workforce in remote communities given the significant challenges many service providers experience in attracting and retaining qualified staff.

Social housing

The Department is broadly supportive of further consideration of the approaches to social housing suggested in the Report, noting that a number of these approaches have been examined to varying degrees through other processes conducted by both the Commonwealth and the states and territories.

The Department also notes that the allocation of social housing and the transfer of social housing to community housing providers is a matter primarily for states and territories.

With respect to improvements in data collection and a tenure neutral payment however, these are matters of interest to all jurisdictions.

Many people in social housing may be in contact with other social and welfare services, and are more likely to have multiple and complex issues. The Department considers that where appropriate outcomes-based commissioning can help to improve the integration of services so people using social housing can be better connected with other services that facilitate increased self-reliance, eventually reducing pressures on limited stocks of social housing.

The preliminary findings relating to social housing highlight the need for reform to current policy settings. Further detail on how governments can achieve reforms that to date have proved elusive, as well as the potential impacts of the housing reform processes currently being undertaken by states, territories and the Commonwealth would be a benefit.

Summary of Suggestions

The Department suggests that the final report could further discuss:

- how competition and collaboration can be concurrently supported in human services;
- risks and protections for smaller service providers, including as large not-for-profits expand;
- how the sector can be supported to better measure outcomes of their services;

- the role of governments in developing and sustaining a workforce in remote Indigenous communities;
- how to better connect those in social housing to services that lead to increased self-reliance and agency; and
- how recommendations might be implemented.

Department of Social Services Outcomes-Based Approach to Commissioning

The Department supports the Report's view that improving the effectiveness of services largely relates to the way they are commissioned. The Department is in the early stages of considering an approach to commissioning and views the following as important elements:

- clearly articulated understanding of need and clear and measurable outcomes;
- citizen-centred approach to policy design and delivery;
- facilitating and actively encouraging innovative, evidence-based and fit-for-purpose approaches to achieve outcomes;
- actively considering all available levers to achieve outcomes;
- policy responses represent best value for money available;
- taking a stewardship approach to service system architecture and appropriately designing mechanisms to achieve the best outcomes with consideration to accountability, responsibility and market environment. This includes active consideration of competition and contestability where appropriate and maintaining a neutral position to the type of service provider;
- collaborative approaches to design, deliver and fund effective social service systems, particularly where common outcomes with other actors have been identified;
- fostering and promoting positive relationships in the social service systems;
- using and sharing data, intelligence and evidence to support continual improvement in outcomes that improve wellbeing;
- shared accountability and risk based on agreed and transparent service objectives and recognition of the importance of expanding innovation and collaboration;
- collaborating on the active redesign of services that are ineffective, inefficient, inequitable or unsustainable and decommission services where appropriate and with consultation and communication.

The Department looks forward to continuing to work with the Productivity Commission as it prepares the final report into the reform of human services.