



Response to the Productivity Commission Draft Report June 2017 Introducing Competition and Informed User Choice into Human Services

Introduction:

This submission has been prepared by four independent, not-for-profit, community service providers, based in the regional Victorian city of Shepparton.

The four providers are:

- The Bridge Youth Service: a specialist youth support provider.
- Connect GV: a major provider of disability services in the Goulburn Valley.
- FamilyCare: a major regional provider of child and family services and carer support.
- Primary Care Connect: the Goulburn Valley's community health provider.

Our regional operations bring the submitting agencies into frequent contact and there is regular overlap of our service users. In mid-2015, the agencies agreed to create a more structured collaborative framework with assistance from the Helen Macpherson Smith Trust.

On 9 August 2016 all four agencies signed a cooperative agreement, referring to our network as Shepparton Community Share. The cooperative network does not create a separate legal entity. It does however provide guidance for working together and sharing information with an intention that we contribute to the common good of our clients and community.

General Observations:

This is the fourth submission the agencies involved in Shepparton Community Share have provided in the current Inquiry. The previous submissions were:

- A response to the initial Issues Paper, dated 29 July 2016;
- A response to the Preliminary Findings, dated 4 November 2016 and
- Response to the Productivity Commission Issues Paper December 2016.

This submission will not repeat the matters we have covered previously, except where reiterating information relevant to issues canvassed in the Draft Report.

We have also focused our comments on Chapter 7 of the Draft Report, which deals with 'Commissioning family and community services'. The comments have been divided into three parts:

- **Draft Recommendations we support.**
- **Draft Recommendations we support conditionally.**
- **Draft Recommendations we oppose.**

Draft Recommendations we support

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.

Comments

- The Commission's view that a wholesale move to user-choice is not feasible at present is welcome. There is a genuine risk that insistence on user-choice could further marginalise the most vulnerable and disadvantaged. There is also less 'choice' available in rural, regional and remote locations.
- We agree that it would be useful to develop and publish maps of existing services. This is not a blank canvass – service mapping, directories or other location identifiers already exist, just not consistently either across service sub-sectors or locations. Similarly, analyses of service user needs also exist in various formats and locations.
- We welcome the Commission's acknowledgement that effective pursuit of draft recommendation 7.1 would require resources and a willingness to engage with both service users and providers with relevant expertise. If this course is pursued, we encourage the inclusion of an expansive range of views, in particular taking appropriate account of input specific to location-based needs, user profiles and service delivery. It is particularly important to respect local input in rural, regional and remote locations.
- If the Australian, State and Territory Governments are to successfully develop and publish service plans to address the needs of people experiencing hardship they will first need to agree on the causes of hardship, including structural and not simply personal factors.

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.

Comments

- We support the Commission's view that payments should be aligned with the efficient cost of service provision and in particular recognising that costs vary across different service needs, user populations, location and scale of provision.
- Recognition of travel and distance costs associated with service provision in rural and regional areas is especially welcome, as is recognising care will need to be taken to prevent cherry-picking of easier services and service users, to maximise financial returns.
- In part, the observations regarding cherry-picking are related to service provider motivations that underpin our strong objection to Draft Recommendation 7.2.

Draft Recommendations we support conditionally

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.

Comments

- There is considerable work being done by governments and across the service sector to develop user focused outcome measures. We both support and are active participants in those efforts. The development work for outcome measures is not new and delays in reaching consensus are in part related to the challenges associated with producing meaningful measurements.
- How outcome measures are framed underscores a tension between consistency and relevance. If the measures adopted are too high-level, they will produce only general information that will ignore the complexity and breadth of challenges many service users face. Conversely, if the information is too granular, it can become unworkable. Perhaps the answer lies in different layers of measurement, depending on the issues being addressed. For example, the measures relevant to a mother with young children who needs to immediately escape a violent relationship are not the same as those confronting a person who was made redundant as a result of a business closure and has been unemployed for over a year. Both require support but the measures of outcomes will not be the same, or involve the same urgency.
- We have also raised concerns in previous submissions about the direction and impact of the Commonwealth's welfare reform approach. Our view remains that current policies have the potential to cause hardship, or make existing disadvantage worse. Outcome measures that inappropriately preference compulsory participation requirements can also work contrary to state-based funding and support processes.

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

- develop processes to disseminate the lessons of evaluations to governments and service providers.

Comments

- We have noted in previous submissions that various layers of government monitoring between funding bodies and across governments often review the same things, in slightly different ways. Coordination of the layers of existing monitoring would be welcome and could allow service providers to focus on both the provision of services and practical actions to ensure continuous improvement.
- The increase in quality standards covering similar issues, particularly in relation to governance, management and appropriate financial supervision, has generated an increase in separate, independent review cycles. The result for agencies like ours is multiple often duplicative reviews, which do little to improve the quality of the service our clients receive.
- We are also supportive of improving evaluation processes and data coordination. There are however similar complexity and efficiency issues with different funding processes having different expectations and rules.
- Similar to the observations the Commission made in relation to Draft Recommendation 7.1, successful pursuit of the elements raised in Draft Recommendation 7.4 would require time, resources and the opportunity for broad and inclusive input.

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.

Comments

- We appreciate the Commission's recognition that short-term contracting adversely impacts service provider capacity and has implications for service quality. Across our service network the Shepparton Community Share providers have multiple contracts of varying lengths, with most less than three years' duration. Single year contracts are not uncommon and provide great uncertainty for both service users and providers.
- At present, we believe a five-year standard contract term is ideal. Seven year terms may have unintended adverse consequences, particularly during periods of significant reform such as those anticipated by the Draft Report.
- We strongly support the inclusion of safeguards to allow governments to reduce or withdraw funding in the event of serious failure or misconduct. Many of those safeguards already exist however. There are in our submission more pressing issues in relation to conduct and

performance monitoring, including:

- Inconsistency in how and when performance clauses are activated;
- A lack of transparency when penalties and / or cancellations of contracts are pursued; and
- Limited progress in reducing the most onerous examples of duplicative and inefficient regulation, particularly in relation to overlapping quality standards and related supervisory processes.

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

Comments

- We refer to our comments in response to Draft Recommendations 7.3 and 7.4 in relation to the development of appropriate outcome measures.
- The recommendation to adopt relational approaches to contract management is interesting and we would welcome more practical engagement than is routinely possible under current funding relationships. In order for relational management to flourish there would need to be a greater level of trust developed and not only between contract managers and service providers.
- In our experience, it is increasingly common for all levels of government to struggle with effective delegations of roles or delivering practical oversight. Current contract management often confuses the encouragement of strong professional relationships with questions of probity, or micro-managing risk or information exchange in ways that burden effective communication. These issues were noted by the Commission in its 2010 review of the Contribution of the Not-for-Profit Sector.¹

Draft Recommendations we oppose

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).

Comments

- There are many areas in the Draft Report and specifically Chapter 7, where the Commission has heard and acknowledged the views of service providers during the various stages of consultation. Draft Recommendation 7.2 does not in our view follow that pattern. We strongly oppose the proposition that governments should no longer distinguish between for-profits and not-for-profits in the provision of family and community services.
- Many not-for-profit community service providers, including the Shepparton Community Share network, have urged the Commission to appropriately acknowledge the differences in motivation between mission and values-based service provision and for-profit providers. There are many reasons why the distinctions are important, not the least of which is the expectation that not-for-profits will engage with the communities they serve, bringing additional value through volunteering and other forms of localised altruism and philanthropy.
- In earlier papers in this Inquiry the Commission has acknowledged the importance of not 'crowding out' smaller local agencies and volunteers. This earlier caution appears to have diminished in the Draft Report. For example, there appear to be only three references to volunteers in the entire Draft Report, which in our submission, is an unhelpful and potentially damaging oversight. According to the latest edition of the Australian Charities Report, there are an estimated 2.97 million volunteers in Australia.² The inter-relationship between volunteers and not-for-profits is absolutely clear, with ACNC Commissioner Susan Pascoe AM, noting in her June newsletter that four out of five charities rely on some form of volunteer support.³
- The connections that not-for-profits generate, particularly in rural and regional communities, play a vital role in the social health of those communities and no doubt generate economic benefits as well. We are disappointed that the Commission has neglected to make significant reference to these issues. We also note there is little evidence offered in support of removing the distinction between not-for-profits and for-profits, appearing to rely on market theory to produce positive results.
- In other places where reforms of this type have been pursued and in particular the United Kingdom through the Big Society reform processes, significant harm has been done to not-for-profit service provision and the closely related motivations for community volunteerism.
- There is limited reference in Chapter 7 of the Draft Report to the role that not-for-profits play in

advocating structural reform to improve the circumstances of vulnerable and disadvantaged people. Whilst community advocacy can sometimes be a cause of frustration and even discomfort for governments that fund service provision only to be lobbied by those same providers to change laws and policy settings, these tensions play an important role in maintaining vibrant and pluralist democracies.

- The reasons offered for our opposition to Draft Recommendation 7.2 may not have been directly included in the Commission's Terms of Reference. It is however unsurprising they have arisen in the course of the Inquiry. Before completing the Inquiry we encourage the Commission to adequately acknowledge these issues. Not doing so would imply the Commission concluded by default that there is nothing important or unique in the motivations underpinning the not-for-profit sector.

Conclusion:

In earlier communications, we extended an invitation for the Commission to come to Shepparton, which would have provided a useful and broadly indicative view of a regional community with a variety of needs and service options. We understand it is not possible for the Commission to engage with all submissions and requests but express our general disappointment that the Inquiry appears to have been conducted entirely in capital cities. The metro-centric nature of the process undermines commitments to broad engagement and inclusion.

We nevertheless appreciate the further opportunity to comment and have expressed an interest in speaking to this and our earlier submissions at the Hearing scheduled in Melbourne on 27 July 2017.

Dated – 14 July 2017

On behalf of:

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¹ Productivity Commission; *Contribution of the Not-for-Profit Sector – Research Report*; Melbourne; January 2010; see for example, Chapter 12 'Delivery of government funded services'.

² Cortis, N., Young, A., Powell, A., Reeve, R., Simnett, R., Ho, K., and Ramia, I. *Australian Charities Report 2015*; Centre for Social Impact and Social Policy Research Centre, UNSW Australia; December 2016; page 10.

³ http://www.acnc.gov.au/ACNC/Comms/Com_Col/CC_20170621.aspx?TemplateType=P