

Department of Social Services' Submission to the Productivity Commission Inquiry into Human Services

Overview

The Department of Social Services (the Department) welcomes the opportunity to comment on the Productivity Commission Issues Paper, *Human Services: Identifying Sectors for Reform* (the Issues Paper) released 16 June 2016.

The Department's mission is to improve the lifetime wellbeing of people and families in Australia, giving policy priority to those people and families most likely to have poor lifetime outcomes – usually the most vulnerable in the community. There is therefore considerable diversity among the clients the Department aims to assist, in terms of needs, circumstances, their physical location, and the issues they face. The policy and service responses required to support this diverse client base are, not surprisingly, also diverse, and often require specialist skills, innovation, collaboration, and organisational agility among service providers.

In addition, the operating environment of the department is complex, and includes sharing roles in achieving social policy outcomes with State and Territory agencies, local government, and other Commonwealth agencies. This can at times diminish the clarity of roles and policy and program objectives.

Given this important context, the submission's purpose is to canvass issues in response to the Productivity Commission's Issues Paper for deliberation on the application of the principles of competition, contestability and user choice in the human services. Specifically, the submission addresses:

- The proposed attributes of human services and the framework for identifying areas for potential reform outlined in the Issues Paper;
- Current applications of competition, contestability and user choice in the design, delivery and funding of the Department's community services and an outline of the challenges it faces in broadening these principles;
- Some other potential approaches that could be used to improve service effectiveness and efficiency.

The Department concurs with the drivers of reform influencing the funding, design and delivery of community services that were identified in the Issues Paper. Fiscal constraints

driven by low growth are putting pressure on governments to reduce public spending, while ageing populations and public expectations are increasing demand for government funded services. Technology is providing more opportunities for efficient service delivery and government engagement with citizens, particularly with the growth in use of data and analytics, and can assist with the responsive targeting and delivery of services. However, technology is also driving increased costs and expectations in human services. These drivers of reform represent many challenges, but also opportunities.

Given our core focus as noted above, the Department will use the most appropriate mechanisms available which may sometimes include competition, contestability and user choice. However, these mechanisms will not always be appropriate or effective in improving outcomes. The Department draws attention to the following key principles that it generally uses in service design, delivery and funding:

- Using a 'best value for money' principle, that seeks to optimise the best possible approach in any given situation, by having regard to the outcome sought and having regard for the need to be accountable for taxpayer funding.
- Encouraging collaboration, innovation and learning
- Reducing the regulatory burden on service providers
- Co-designing services with providers, citizens and others where possible
- Actively sharing data to improve service design and delivery
- No preference for the type of service provider to deliver a service.

The Department maintains therefore that the overarching objective of the design of interventions centres on achieving outcomes for clients, and any mechanisms or principles adopted need to achieve this aim.

There are also some key issues that the Department brings to the attention of the Commission, and these are listed below, and discussed in more detail in subsequent sections.

- A focus on achieving efficiencies could result in short term costs to government, but may result in a diminution of the effectiveness of programs. This could result in longer run costs to government. It is critical to take into account both impacts and costs holistically.

- Given the size of the social security system, significantly larger efficiencies could be made by targeting reforms that increase workforce participation and self-reliance. Reforms that seek to improve the efficiency of the service system should aim to support the potentially larger efficiencies to be gained by increasing workforce participation and self-reliance.
- The Department experiences challenges with the provision of services in regional, rural and remote Australia. There are also experiences of market failure. At times, the Department is the provider of last resort.
- The realities of community services test competition principles. Competition is not suited to all markets and other policy options should be considered that have the ability to deliver some of the economic efficiency gains that are sought but not possible through competition.
- Markets evolve. The Department has generally increased the use of competition and contestability over the past decade, and has done so where it has formed the view that such approaches align with achieving outcomes, and where there is evidence that there is market maturity. It follows that just because there may not be contestability present in one area at a point in time does not mean such approaches could not be considered at a later time. In this context, it is also important that the Commission considers the role of agencies such as the Department – or government more generally - in actively developing the market to optimise conditions for increased competition, contestability and choice.
- In ensuring the delivery of community services and interventions, the Department needs to balance a number of competing pressures. These include proportionality of funding, accountability in spending taxpayer funding, and the need to ensure “best fit” and most effective service provision to ensure outcomes are achieved. At times, this will involve a direct selection of organisations with the expertise required to deliver outcomes. A key example of such an approach includes the setting up and delivery of the 1800 RESPECT family violence counselling service. In other contexts, it is clear that at times, open competitive tender processes have led to successful bids by larger, more sophisticated providers over smaller organisations with close connections to local communities. While this has led to some benefits, it also poses challenges – for example in remote Indigenous communities, where large organisations effectively have little or no relationship with that community, and then

struggle to recruit staff and maintain a physical presence, severely undermining policy outcomes. There may also be instances where service delivery is constrained by either Commonwealth or state and territory legislation or policies.

- While a focus on choice is important, it is not always the relevant or appropriate lens. There are programmes – particularly those where there are formal mutual obligation requirements in return for income support - in which clients are compelled to participate with the intention of improving their wellbeing over the longer-term, often by encouraging increased economic and social participation. A more salient lens involves a focus on enhancing a vulnerable person’s ability to move towards greater self-reliance.

The Department of Social Services

The Department has an administered budget of \$114.9 billion, representing 25.5 per cent of Government spending, and is structured around four core outcomes:

- Social Security (\$110.3 billion)
- Families and Communities (\$2.8 billion)
- Disability and Carers (\$1.7 billion)
- Housing (\$0.1 billion).

The National Disability Insurance Scheme (NDIS) is the largest single area of growth within the Department. When fully rolled out, the Australian Government will be responsible for around half of the NDIS’s cost of \$21.5 billion, representing 44 per cent of expenditure growth to 2019-20. Disability Employment Services (DES) is another large delivery system managed by the Department. DES has an administered cost of \$838 million in 2016-17 and is delivered by a mix of for-profit and not-for-profit providers. More information about DES can be found in Box 1.

The Department of Social Services has diverse mix of responsibilities and approaches for policy, programmes and delivery across the four core outcomes. For example, the Department is responsible for NDIS policy, but NDIS access and funding for supports is delivered by the National Disability Insurance Agency. The Department is responsible for social security policy, but payments and income management activities are delivered by the Department of Human Services. Likewise, the Department has responsibility for housing and

homelessness policy but funding to the states and territories under National Partnership Payments is paid through Treasury, and annual incentives under the National Rental Affordability Scheme are mostly provided through tax offsets delivered by the Australian Taxation Office.

A proportion of the Department's administered budget is used to fund a diverse range of programmes and activities through grants and administered procurement across families and communities, disability and carers, and housing. Grants comprise of approximately 70 individual spending activities and accounting for over 8,000 active grants (with around 5,300 of those grants being for low-value, one-off volunteer grants). While grants and administered procurement funding is small in the context of the Department's administered budget, the design, selection and management of grants impacts on all functions of the Department and our broader engagement with community organisations and service providers.

In contrast to these, the Department undertakes direct service provision in some areas such as the inter-country adoption referral service. While only a relatively small service role, the purpose of the inter-country adoption service is to provide information on inter-country adoption and connect service users to service providers as well as relevant state, territory and Commonwealth agencies.

Departmental Response to the Attributes of Human Services

The Department agrees that the concepts of quality, equity, efficiency, responsiveness and accountability are broadly applicable to ongoing improvement in community services. However, there are also some challenges in meeting these.

Quality

As noted in the Issues Paper, the concept of quality is hard to define and measure in the context of some community services. Inputs and outputs often do not easily capture the outcomes of some community service programmes, particularly those seeking to address complex issues. One way that the Department is seeking to address this issue is through its Data Exchange (DEX) which collects data focussing on service delivery outcomes rather than outputs. The majority of the Department of Social Services' programmes are now using DEX, as well as some programmes in the Department of Health and Attorney-General's Department. The Data Exchange has the potential to be implemented more broadly, and to track citizens' pathways across a range of human services and whether outcomes are meeting Government objectives.

The Priority Investment Approach, which uses actuarial analysis of longitudinal data on welfare recipients to identify cohorts likely to remain on income support for long periods of time, will provide additional information on quality outcomes when matched with DEX. Evidence-based interventions will then be developed using the Try, Test and Learn fund with the aim of reducing the long-term welfare dependency of identified population cohorts. Analysis of these cohorts' and associated program outcomes through DEX will show the effectiveness of these interventions and inform further actuarial analysis of the Commonwealth's future social security liability.

Quality assurance must also consider safeguards to protect vulnerable and disadvantaged clients from becoming further disadvantaged. It is often feared that increased competition, in particular increased participation in community service provision by for-profit organisations, could result in reduced quality if competition promotes throughput of clients over achieving outcomes. Potential safeguards to be considered include governance and regulatory approaches that ensure protection of citizens. Appropriate mechanisms within government agencies need to be developed to ensure that taxpayer funding is resulting in positive outcomes and protecting vulnerable Australians.

Equity

The Department's services are targeted to specific cohorts based on need (e.g. people with disability, recent immigrants), disadvantage or vulnerability. This fits with the Issues Paper's definition of being accessible to those who need them. The Department also delivers many programmes in rural and remote areas. As stated in the Issues Paper, delivery costs in these areas may be higher than for urban areas. Rural and remote areas often have thin markets for community services. The geographical location and characteristics of Australian's receiving services funded or delivered by the Department may limit the applicability of competition principles.

Efficiency

Community services often do not fit well with the standard inputs-to-outputs ratio measure of efficiency. While efficiency is a very important target, it must be measured alongside effectiveness to determine the success of a service. Efficiency also needs to be considered in a wider context of impacts. For example, focusing purely on efficiency can lead to changes in a programme that could reduce outcomes and have significant implications reducing efficiency in other areas. Over the long-term this would reduce the impact and overall efficiency of policies and programmes.

Responsiveness and accountability

The Department agrees that responsiveness and accountability are important attributes of successful services. Responsiveness should be based on objective and subjective analysis of needs. The Data Exchange (DEX) is capable of capturing data on responsiveness where service providers opt to participate in the partnership approach, and volunteer to collect additional data in exchange for richer self-service reports.

Departmental Response to the Framework for Identifying Services Best Suited to Reform

The framework covers many factors that should be considered when identifying human services best suited to applying the principles of competition, contestability and user choice principles. However, there are also some other issues that should be raised for consideration. While considering the financial costs to the user of more broadly applying the principles, the framework doesn't allow for consideration of potential non-financial negative impacts, including reduced wellbeing.

There are potential risks with increasing competition principles: service providers 'cherry picking' more profitable clients creating service gaps; clients with rare or complex needs failing to receive adequate services; large providers using their power to increase market share, reducing diversity; and loss of quality if providers seek to increase margins by cutting costs. Another risk is that competitive funding processes divert organisations' resources away from service delivery and increase administration. For example, the grants application process can require a large diversion of resources that tends to advantage larger organisations with capacity to dedicate staff to writing applications.

While the Department understands that the Inquiry is limited to its terms of reference in issues surrounding competition, contestability and user choice, it should be noted that community services are often seeking to address complex cases that may require a range of strategies. It is expected in these instances that competition and contestability may only play a small part in improving service outcomes.

As discussed later in this submission, there are other features that can contribute to improved service effectiveness and efficiency including innovation, increased citizen focus, alternative models of funding and delivery, greater collaboration, and service integration. Competition, contestability and choice can clearly play a role in driving the presence of these features. However, competition principles are not a means to an end within themselves, and should only be applied where they drive positive outcomes for service users.

Often in remote areas, humanitarian services, Indigenous services, and family safety services providers are chosen because they have a specific expertise that cannot be delivered by mainstream providers. Often these organisations have a bespoke structure to best service the communities in which they operate. Increased competition could see these specialised sectors lose some of their ability to deliver outcomes.

Current state of competition and contestability in the Department of Social Services

The past 40 years have seen significant changes in the funding and delivery of community services, with the most significant shift being the progressive shift from governments providing services, to governments contracting out services to external providers. A range of selection processes are used by the Department when contracting out services. While the goal of competition is acknowledged, issues such as the programme objective, market capacity and previous performance ultimately influence whether an open, restricted or direct selection process is used. Increased competition for specific programmes is hindered by a limited market of service providers or users.

The Department utilises several approaches to competition in its service delivery markets. In the majority of open selection processes, competition principles are only applied at the selection processes. Competition-for-the-market, where providers compete for grants to deliver services to meet a specified need, is the most widespread approach used by the Department.

In the case of Disability Employment Services (Box 1), competition principles are applied in both competition-for-the-market *and* competition-in-the-market. Firstly, a range of providers are selected using a competition-for-the-market approach. Secondly, these selected providers then must compete for business ‘in the market’ – in the case of DES, a star rating system is used to adjust market share for referral business. In addition to this, DES providers are allowed to directly register clients into their programmes.

In another case, the Humanitarian Settlement Services (Box 2) are delivered using a fee-for-service model. Another approach is to predominantly focus on competition-in-the-market, where providers compete with each other for client business. The National Disability Insurance Scheme (Box 3) is the best example of the Department’s use of this kind of mechanism.

Box 1. Disability Employment Services

Disability Employment Services (DES) is another large delivery system managed by the Department. DES has an administered cost of \$838 million in 2016-17 and is delivered by a mix of for-profit and not-for-profit providers.

Disability Employment Services use an open selection process to create a managed market of providers with a mix of for-profit and not-for-profit providers. Successful providers are referred participants from Centrelink for up to 130% of their contracted business share percentage. Participants can choose their preferred provider, provided they are operating within their 130% tolerance of business share. However, the referrals are demand-driven, so there is no guarantee of the actual number of referrals a provider may receive. Providers can also directly register eligible participants through direct marketing. Direct registrations bypass all tolerance calculations.

Provider sites are rated on a 1 (lowest) to 5 (highest) rating to inform participant choice. Contestability is maintained by the possibility of business reallocation to higher-performing providers through business reallocation process conducted twice over the five-year contract period. High performance is also facilitated using an outcomes based payments.

Box 2. Humanitarian Settlement Services

Humanitarian Settlement Service providers work with clients to identify their needs and develop a case management plan to deliver a tailored package of services to meet these needs, therefore, not all clients will require or receive all available services. Services are delivered under contract arrangements, with providers paid on a fee-for-service arrangement for each individual service they provide to clients.

In the delivery of their services, providers are required to work with other settlement and mainstream services to assist clients with their longer term settlement needs, including community and recreational programmes.

Box 3. The National Disability Insurance Scheme

The National Disability Insurance Scheme is large scale reform of disability care in Australia. The NDIS was recommended by the Productivity Commission to replace the old disability support system. Prior to the NDIS most funding was distributed through contracts with service providers and other government. Supports under the old system were often suboptimal or delivered where or when they were not wanted. The NDIS provides people with disability with individual funding based on their needs. The NDIS gives greater choice and control to people with disability over how and when they receive supports. Support is also available to assist NDIS participants with limited decision making capacity. Participants can also choose to have a portion of their package as self-managed funding and the rest as a package of supports.

The NDIS has just begun to be rolled out nationally as of 1 July 2016. At this stage it is not possible to fully assess the success of the NDIS. However, the lessons from this important and far reaching initiative will be important to consider in future reform.

In both the first and third examples above, the Department is establishing a managed market to foster competition to improve the quality of services and improve outcomes. This approach requires that the Department take on a strong market stewardship role to ensure that the market remains healthy and viable to produce the services needed by clients.

Issues facing increased competition and contestability

The Department funds a range of service providers, from small, community-based organisations to large, nationwide organisations. Most services funded by the Department are delivered by the not-for-profit sector. The Department's experience of the market is that community services are generally constrained due to varying degrees of development across service providers and sectors. When markets are less developed, issues can arise including: sector fragmentation; inadequate infrastructure, limiting capability and capacity; issues with governance structures; and inadequate business planning capabilities limiting innovation, capacity building and competitiveness.

Thin markets represent a major barrier when implementing increased competition, contestability, and user choice. Small cohorts of targeted service recipients also make increased competition difficult as there is less demand on which to base provider competition. Generally, competition, contestability and user choice are further limited outside of metropolitan areas as there is often a lack in the range of service providers to choose

from in less-populated areas. In these thin markets, the focus is on building capacity of service providers over time.

A lack of transparency around the price of community services is a further barrier to increased competition principles.

Service provider diversity

Service users are highly varied in their needs and backgrounds. Encouraging diversity in service providers allows for specialist services that capture these varied needs. Maintaining diversity in provider size, and increasing participation of for-profit organisations could result in a number of further benefits. These benefits include: more choice for service users; more efficient services as a result of increased competitive pressures; more specialist services that can cater to particular groups; and more flexible services that can respond to local needs. The Department supports greater diversity in providers and does not have a preference for one provider type over another.

The lack of diversity is in some part due to the risks associated with vulnerable and disadvantaged people and thin markets. The Department gives policy priority to those people and families most likely to have poor lifetime outcomes. While small not-for-profit service providers cannot gain efficiencies of scale like large providers, often the connection they have with the local community and service users can increase the outcomes they achieve. Furthermore, in some circumstances such as remote or regional areas, thin markets mean that there is very little opportunity to encourage diversification. It needs to be assessed whether the lack of diversity in the market is an issue. If market diversity is an issues, what is the extent to which government agencies have an active role in developing the market, and what approaches can be put in place to improve diversity?

Outcome based funding

Service quality should be measured in terms of the ability of service providers to achieve outcomes with clients. The use of any outcomes-based funding method must ensure that objectives are measurable and actually reflect the outcome being sought. The Department could consider more extensively using outcome based funding as a mechanism for improving service outcomes providing it ensures objectives are clear, measurable and transparent and appropriate to the outcome. The Data Exchange (DEX) has been developed to improve how community service outcomes are measured, rather than looking at inputs and outputs. All grant agreements covered by the DEX Framework will reflect five key performance indicators informed by a small set of standardised data that will help to inform

what outcomes are being achieved, and how services respond to individual, family and community needs. Benchmarking funding to specific outcomes as measured by DEX could increase contestability by incentivising service providers to meet certain performance standards. This will help improve the way the Department collects and uses programme data to drive ongoing performance.

Current state of choice in the Department of Social Services

The Department agrees that choice can be an important facet of community services, both for service users and as a means of driving service provider performance. However, it is not always possible or appropriate to provide choice. Services funded by the Department predominantly focus on vulnerable and disadvantaged Australians. Although there is a diverse range of Department service users, in some instances they may have limited experience, capacity and/or lack access to information to make independent, effective decisions. Where possible, users with capacity to make effective choices about which services best address their need should be empowered to do so. However, those users with low capacity and complex needs should be provided with high level support with a view of enabling agency and building future capability. In addition, the use of choice needs to be tempered by the understanding that people do not always act as we assume they will. The potential gap between policy makers' behavioural assumptions and actual behaviour should be tested prior to implementation to reduce the likelihood of unintended consequences. This is particularly important for vulnerable cohorts.

Services across the Department incorporate four levels of user choice:

- Free choice: the most common type of free choice available to community services users is choosing when or if to access services funded by the Department. These services are free to eligible clients, and if more than one service is available in an area, users may choose between them. In a user-directed funding model, such as the NDIS, users are allocated their funding and have the freedom to purchase the services they need
- Facilitated choice: an intermediary makes choices based on the user's preference, with the user retaining power to change service provider at any time if more than one service provider is available
- Directed services: a case worker or assigned person chooses the service and service provider for the service user.
- Compulsory services: service users are required to access a specific service. The service is often a condition to receive a further benefit, and may or may not incorporate an element of choice (e.g. income management).

The NDIS (Box 3) is a good example of an approach that balances user-choice with decision making supports to increase participants' agency and self-efficacy. Where appropriate, participants can self-direct their funding to purchase services and supports that best suit their needs. All users access assistance from the NDIA in preparing their NDIS plan, which supports participants with lower decision-making capacity in achieving outcomes. Services and supports designated as essential must be delivered through approved service providers.

The ongoing nature of disability support better enables competition and choice. Many of the services and interventions within the social services portfolio are intended to be temporary supports, assisting Australians to build capacity for self-reliance and engage economically and socially. For non-ongoing services user-choice is not an optimal goal and the focus should be on ensuring that the service meets the needs of the recipient. User-focused services bring the needs of users to the forefront of policy and programme design and delivery. There are several ways to increase user focus, co-design of services with service providers and communities is one method of better servicing users. User-focus can also be facilitated by directly bringing user input into service design.

While choice is not always possible or appropriate, the Department aims to enable a sense of *agency* through its programmes. Agency refers to an individual's perception that they are in control and responsible for their actions and wellbeing over their life-course. A lack of choice in the short term is sometimes required to facilitate long term agency. An example of this is mutual obligation requirements on welfare recipients that actively reduce individual choice in exchange for income support payments. The aim of mutual obligation requirements is to improve employability, reduce welfare dependency, and increase economic and social participation. Participation in these activities is therefore not a choice, unless a person chooses to forgo income support payments rather than participate.

Choice also may not always be possible or ideal in crisis situations. People experiencing family violence often face an overwhelming number of decisions to be made with limited time and information. An experienced case worker is often better placed to guide people in family violence situations who may require emergency relief, emergency housing, legal assistance and protection, amongst other services. Another example where choice may not be possible or appropriate is the case of newly arrived refugees and humanitarian entrants. Facing the distress of relocating to a new country and coping with difficult pre-migration experiences, this cohort has no previous experience of Australian society or Australia's system of service delivery. An experienced case manager is best placed to guide newly arrived refugees and humanitarian entrants through the choices they face in beginning a new life in Australia, which can otherwise be overwhelming. At the same time, service providers

are required to help clients to build the skills and capacities necessary to navigate society independently, including being able to access services. Lessening the burden of these decisions can assist in stabilising a person's life and building their sense of agency in making further decisions. Independence from social security and community services gives citizens more agency in their lifetime wellbeing, while increased capability gives citizens the freedom to lead a good life.

Timely, accurate and clear information is vital to support user choice. Good quality information is necessary to build user's capacity to make effective choices. Where there is more than one service available, users will benefit from comparative tools or checklists that help them determine which services best address their needs. With single service offers, information about what supports are available and other user's experiences may still be beneficial. Ratings systems can also be fed back to service providers to improve performance (e.g. DES, Box 1; DEX). Service information gateways could be improved across community services using a similar model to My Aged Care. User ratings could assist first time users in choosing a new service provider and repeat users to switch service provider.

Improved quality and access to information further provides governments, communities, and service providers with an understanding of variations in issues that need to be addressed across locations. For instance, organisations could assess levels of income support receipt or homelessness across their service areas and better allocate resources to address these needs. Continued collection and dissemination of information over time would better illustrate progress on achieving outcomes, and allow for refinement of service delivery to meet changing needs.

Future directions

The introduction of the NDIS is the largest reform occurring in the Department, and brings a huge increase in competition in the disability sector, and much greater choice for NDIS recipients. This reform represents the largest growth to the Department's expenditure between 2016-17 and 2019-20. Future reforms to increase competition principles in community services may require similar increases in funding to adequately facilitate competition mechanisms. Monitoring the roll-out and performance of the NDIS will be key in assessing both the viability of the scheme, and providing learnings for future application of competition principles across community services.

Assessing the maturity of different sections of the market is necessary in preparing for the future. It may be best to undertake this assessment according to sub-sectors starting with the most common and universally delivered programmes. Combining current market state assessment with an understanding of the trends in demand from the people and families most likely to experience poor lifetime outcomes could provide a framework for thinking about how, in collaboration with other jurisdictions, providers and service users, to plan for improving targeting and delivery of welfare services for the future.

Given the complex nature of delivering community services, future reforms must recognise the importance of developing a range of strategies to deliver better and more efficient outcomes to the community. This will generally mean that competition-related reforms may only play a small part of the overall policy package. Strategies that may complement competition, or provide better alternatives, include:

- Integrating services to varying degrees to reduce fragmentation and overlap of services and to better service the most disadvantaged citizens with multiple, complex problems that can cross a range of siloed policy areas
- The co-design of services incorporating engagement from all stakeholders including funders, providers and users
- Greater citizen involvement in the design and delivery of interventions has the potential to improve wellbeing, social outcomes and shift the power balance towards clients, away from funding and delivery organisations
- Encouraging collaboration amongst service providers and funders to facilitate sharing of best practice learnings, improved reach of services and innovation
- Fostering innovation through a range of service delivery models including increased devolution of service design to providers with a greater focus on achieving outcomes
- The use of innovative funding models such as outcomes-based funding and social impact bonds.

Digital delivery of information and support services is already occurring in many community service sectors. The Black Dog Institute, for example, has developed myCompass, a personalised self-help programme delivered online designed to assist individuals improve their mental health. The nature of online delivery means that these services are easy to access, can be done at a time that suits the user, and are confidential. Online services are a cost-effective option for delivering impacts with great potential for customisation to individual needs. There is scope to explore and trial digital delivery of online support services more broadly across human services.

Commissioning

The Department notes that the United Kingdom, New Zealand, and several Australian state governments have implemented, or are implementing, commissioning frameworks that provide for a greater focus on outcomes and improved reporting. There could be benefit to the Productivity Commission considering the wider implications of a commissioning framework across community services. Shifting to a systematic commissioning framework would require greater clarity and improved measurement of objectives and outcomes. Competition principles have potential within a commissioning framework, but should be considered with other approaches to improving community services. A commissioning framework would also require reconsideration of regulatory arrangements and subsidiarity and devolution of responsibility for community service delivery.

Responsibility for community service delivery is spread across multiple levels of government, raising the question of how best to structure system architecture: top down control or devolution? Community services in Australia are characterised by top down control, whereby primary decision making power sits with the relevant minister or department head. This approach has the benefits of controlling risks, holding others accountable and maximising options to respond through prescriptive service specifications. However, it tends to dampen innovation, reduce coordination and limit flexibility to respond to client needs and local circumstances. A devolved approach is more conducive to these elements but must have some controls including the appropriate and agreed measurement and monitoring of outcomes to ensure that innovation is promoted, and mechanisms to ensure that appropriate accountability is maintained.

Similar to devolution, subsidiarity suggests that responsibility for government functions should be held at the lowest practical level of government. This is in part constitutionally bound in Australian federalism. As the levels of government are co-contributing funding toward services with similar objectives, it is important to consider at which level decision making responsibility should sit to maximise efficiency in delivering positive outcomes for individuals, families, communities, and the nation. Some important Commonwealth responsibilities cannot be delegated. When considering devolution and subsidiarity, it is important to weigh up whether decision makers have the authority, information, capability and incentives to make and implement decisions that improve the efficiency and effectiveness of services.