



Australian Government
Productivity Commission

Expenditure on Children
in the Northern Territory

Productivity Commission
Study Report
Overview

March 2020

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ISBN 978-1-74037-693-8 (PDF)

ISBN 978-1-74037-692-1 (Print)



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An appropriate reference for this publication is:

Productivity Commission 2020, *Expenditure on Children in the Northern Territory*, Study Report, Canberra

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The Productivity Commission

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The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

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Foreword

Most children in the Northern Territory live in loving and supportive environments, with many families and communities able draw on a rich heritage based on cultural strength. Despite this, many children face significant adversity. Children in the Northern Territory are more likely than Australian children overall to come into contact with the child protection system, and they face higher rates of socioeconomic disadvantage.

This study explores how governments can work together more effectively so that their funding develops the strengths and protective factors that help to keep children safe and well. As an independent advisory body, the Productivity Commission is well placed to undertake a study of this nature. We bring a whole of community perspective to the issues and consult widely across governments, communities and non-government organisations. This provides the Commission with a unique vantage point from which to observe issues and consider solutions. We have seen that the problems occur at the system level, in spite of the many capable and committed people on the ground and within government. The problems are structural and bigger than any individual entity.

Many of the challenges that apply to children and family services in the Northern Territory — siloed decision making, inadequate coordination between and within governments, and lack of data on services and outcomes at the community level — are also present in other jurisdictions and in other policy areas. But their impacts are felt more acutely in environments of high disadvantage.

One of our ambitions for this study was to come up with ways for governments to make better funding decisions that complement current reforms and that make use of organisational structures that are already in place. Communities in the Northern Territory have experienced considerable upheaval as a result of continual policy changes in this area and we have been careful to build on, rather than reinvent, existing reform efforts.

This study was conducted jointly by me and my fellow Commissioners Angela MacRae and Catherine de Fontenay. We were supported by a dedicated team in the Commission's Melbourne and Canberra offices, led by Ana Markulev.

The Commission is grateful to the many individuals and organisations who have taken the time to contribute to this study, including those who provided data, participated in visits and roundtables, and made submissions.

Michael Brennan
Chair, Productivity Commission

March 2020

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The full report is available at www.pc.gov.au

OVERVIEW

Key points

- Children in the Northern Territory are three times more likely than Australian children overall to come into contact with the child protection system, and face higher rates of socioeconomic disadvantage. To help address this, the Commonwealth and NT Governments commit significant funds to children and family services. In 2018-19, they collectively spent about \$538 million through 9 funding agencies, making more than 700 grants to over 500 service providers. This does not include the significant expenditure directed to primary services, such as health care and education, which also influence child and family wellbeing.
- Despite these significant resources, the Commonwealth and NT Governments continue to make funding decisions in relative isolation. This has led to fragmentation, inefficiencies in service delivery, and significant overlap in expenditure effort.
 - There is inadequate coordination between and within both governments, with each often unaware of what the other is funding and of what is being delivered on the ground.
 - It is unclear how the merits of activities for one place are weighed against the merits of activities in another, with the risk of inequitable funding flows driven by the capacity of service providers to apply for funding, rather than by needs and priorities of communities.
 - The current approach to funding service providers is largely short term and output focused. This creates uncertainty and inhibits the ability of providers to build capacity, develop trust, and design and deliver culturally appropriate services over the long term.
- Positive reforms are being implemented and there are pockets of good practice, but a fundamental shift in approach is needed — one that is underpinned by a stronger commitment to transparency and collaboration between governments, service providers and communities. This would help to ensure that governments are collectively accountable for achieving their shared objective — of keeping children and young people safe and well.
- A formal process — of agreed funding and selected funds pooling — should be established between the Commonwealth and NT Governments. This would involve both governments agreeing on what children and family services each will fund (and where they will pool funds) based on the service needs and priorities identified in regional plans.
 - Regional plans should be developed that incorporate the perspectives of people from each community in the region on the strengths and needs of their children and families, which children and family services they would like to retain and those that should be changed.
- Governments should transition to longer-term contracts (a minimum of seven years) that reflect the cost of service provision and take into account the capacity of providers to deliver outcomes, particularly for Aboriginal communities. This should be supported by a relational approach to contracting, where regional government staff visit providers and engage in regular collaborative discussions on service outcomes and continuous service improvements.
- Better use of data on services and outcomes for children and families at the regional and community level is also needed. And both governments need to significantly improve their record-keeping for the services they fund, and create and maintain a public services list.
- Stronger institutions will be required. The Children and Families Tripartite Forum should be strengthened so that it can provide advice to governments on funding arrangements. And both governments should ensure that their regional networks have the skills and authority to undertake relational contracting and to work with communities to develop regional plans.
- Implementing these reforms will be challenging and will require leadership and long-term commitment from governments. The Commonwealth and NT Governments should negotiate a joint funding agreement by the end of 2021 that formalises the reforms proposed in this report. The agreement would provide impetus for greater cooperation between governments and help to facilitate greater accountability of both governments' funding decisions.

Overview

This is a study about government expenditure on children and families in the Northern Territory, with a focus on services relevant to preventing harm to children. In essence, the study is about how the Commonwealth and Northern Territory Governments can work more collaboratively so their expenditure decisions improve outcomes for children and families.

The terms of reference for this study originated from the Royal Commission into the Protection and Detention of Children in the Northern Territory (the Royal Commission). That Commission was established following the airing in 2016 of the ABC's *Four Corners* TV program, 'Australia's Shame,' that included footage of mistreatment of children in detention in the Northern Territory. The Royal Commission found that expenditure on children and family services is not rigorously tracked, monitored or evaluated to ensure that it is appropriately distributed and directed. It identified a need for greater coordination and transparency of government funding decisions.

Many of the conclusions of this study confirm those of the Royal Commission, although identifying a need for coordination does not resolve the question of how to achieve coordination. There is a delicate balance to strike between the need for substantial improvements in coordination, and the need to maintain continuity in an environment marked by abrupt policy changes. The proposals in this study aim to strike that balance.

Although there is a desire within many government departments to make changes, and there are signs of positive reforms, many stakeholders are sceptical of governments' ability to follow through. This is partly driven by their experience of the long history of inquiries that relate to child harm in the Northern Territory and by the fact that there has been little enduring change to the outcomes that matter most — keeping children and young people safe and well. Governments are often quick to accept recommendations and announce reforms, but there can be a tendency for true change to evaporate during the long and difficult process of implementation. This may reflect fiscal pressures, administrative inertia, pushback from influential stakeholders, or simply the political and news cycles of the day.

Governments need to focus on what outcomes they are collectively achieving from their investments, rather than seeking credit for individual funding announcements. This requires leadership and a commitment to greater collaboration between governments to achieve shared outcomes. The ethos of those running the system should be a local focus, learning by doing, and collaboration with providers and communities.

1 Why coordination of funding for children and family services matters

There are unique challenges associated with the provision of children and family services in the Northern Territory. Most children in the Northern Territory are raised in loving and positive environments, although compared with other Australian jurisdictions, children and families in the Northern Territory face higher rates of disadvantage, with about 27 per cent of children living in areas with high levels of socioeconomic disadvantage. The risk of harm to children is exacerbated by a higher prevalence of other risk factors including: living in households facing poverty; unemployment or overcrowding; mental health issues; substance misuse; and family violence. Together, these factors have contributed to poorer outcomes for children in the Northern Territory, including higher rates of harm. There is opportunity to enhance the protective factors and strengths of communities to improve children's wellbeing.

The recommendations in this report are intended to apply to all children in the Northern Territory. But they take account of the experience of Aboriginal children in particular (who comprise 42 per cent of the 62 000 children living in the Northern Territory) that is shaped by a unique set of cultural and historical factors. The Royal Commission noted that intergenerational trauma stemming from the results of colonisation is a key factor driving the overrepresentation of Aboriginal children and young people in out-of-home care and youth detention in the Northern Territory. This means that the need for flexible and culturally capable services — that deal with issues of intergenerational trauma and reflect the specific needs, strengths and aspirations of Aboriginal communities — is particularly acute. But it also presents opportunities for governments to better work with Aboriginal families and communities when designing and delivering services — building on cultural strengths.

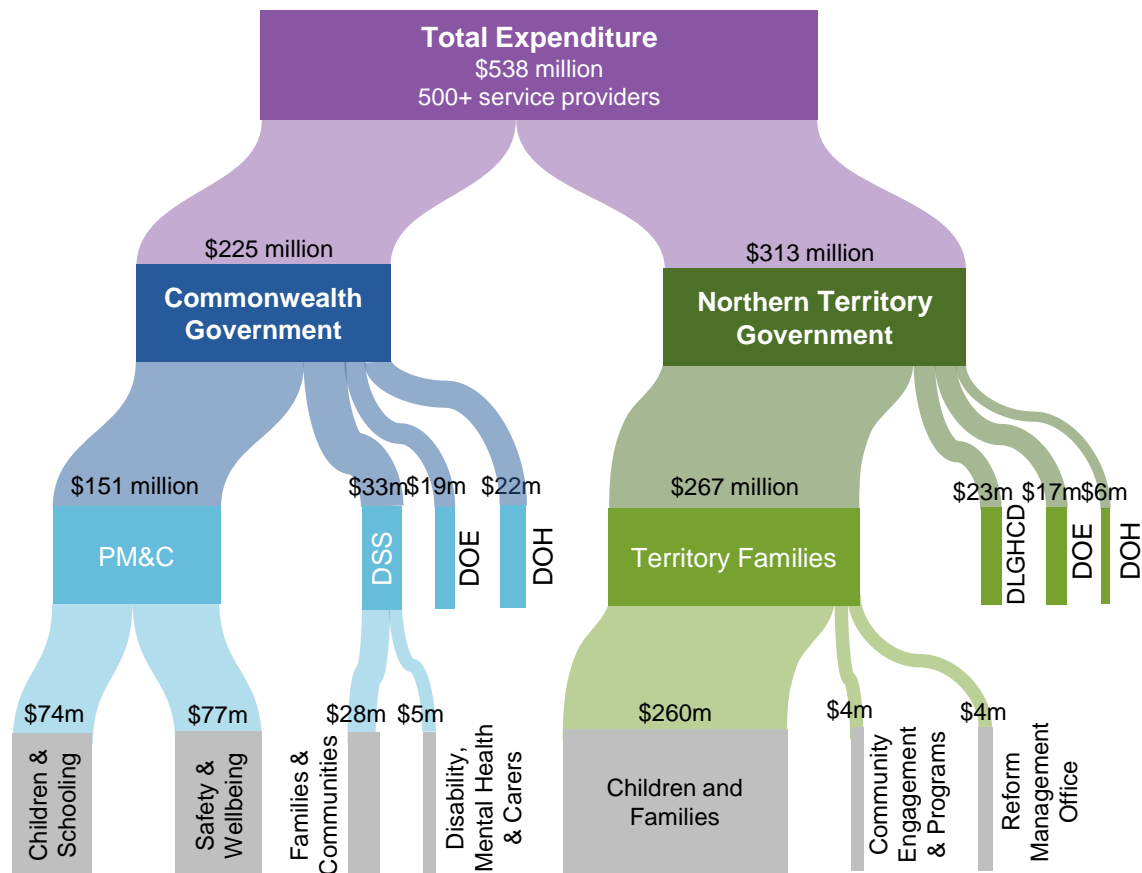
The system of services relevant to the prevention of harm to children is complex. The NT Government is responsible for the statutory child protection and youth justice systems (including child protection investigations, out-of-home care and youth detention). And both governments are responsible for a wide range of other services relevant to the prevention of harm to children, including services such as parenting programs, health, early education, and youth engagement, which are funded by multiple government departments.

We estimate that, in 2018-19, the Commonwealth and NT Governments spent about \$538 million on services relevant to the prevention of harm to children, across at least nine funding agencies and over 500 service providers (figure 1). This expenditure is part of a much broader landscape of expenditure on primary services, such as education and health care. These types of services also influence child and family wellbeing, but they are not directly aimed at preventing harm to children so are not the focus of this study.

The majority of funding from the Commonwealth comes through grants from the National Indigenous Australians Agency's (NIAA) (previously the Department of the Prime Minister and Cabinet) Indigenous Advancement Strategy, with a sizeable contribution also coming from the Department of Social Services' (DSS) Families and Communities Program.

Territory Families is the largest funder of children and family services overall, due to its statutory child protection responsibilities.

Figure 1 **Expenditure flows for children and family services in the Northern Territory, financial year 2018-19**



Given the number of entities involved, it is essential that the provision of services is well coordinated and that funding supports the delivery of flexible and culturally capable services. The Royal Commission recommended the adoption of a ‘new public health approach’, funding the right mix of universal, early intervention, and statutory interventions to reduce the risk of harm to children, with these services working together, rather than in isolation.

The current situation is far from this ideal. Funding decisions are made in silos, by departments that are largely unaware of what others are funding or what services are being delivered on the ground. There are significant gaps in expenditure data and the disparate data that is available is not being harnessed to build a holistic picture of how children, families and communities are faring. Governments often rely on service providers to understand local needs and to engage with communities. Overall, the current approach, regardless of the strengths of individual funding agencies and programs, has resulted in a fragmented system that is failing to best address the needs of children and families. And it is not facilitating

accountability for whether governments are collectively succeeding or failing to achieve their shared objective — to keep children and young people safe and well.

2 A siloed and fragmented service system

During this study, we heard from many highly dedicated people trying to make a difference to the lives of children and families in the Northern Territory. But they are often working with limited information, and within a fragmented and largely supply-driven system of children and family services in the Northern Territory. There is evidence of duplicated effort in funding services and cases of multiple providers delivering similar types of services in the same areas. At the same time, there was concern from stakeholders about gaps in services (unmet needs) in many areas. Investment from both the Commonwealth and NT Governments is inadequately targeted — made without a comprehensive assessment of the needs or priorities of communities and decided without full knowledge of the other services already being provided in a community.

There is significant overlap in expenditure effort

There is significant overlap in the types of services being funded by different levels of government and their departments. In other words, at an aggregate level, the Commonwealth and NT Governments are often operating ‘in the same field’. As shown in table 1, most types of services are funded by both Governments, and there is particular overlap in:

- family violence services, such as crisis accommodation — notably, both levels of government fund the operation of safe houses and shelters
- crime, justice and legal services, such as youth diversion services
- community development services, such as services or events to promote leadership and community resilience
- sport and recreation services, such as youth engagement services
- early childhood services for children up to five years old, such as playgroups and early learning support programs.

These overlaps are exemplified by the Intensive Family Support Service (IFSS) (funded by DSS) and the Intensive Family Preservation Service (IFPS) (funded by Territory Families). Both IFSS and IFPS are provided to families in the Northern Territory. In some locations, such as in Katherine, both services are available, but there are some locations where neither program exists. For example, in the East Arnhem region there is no IFSS and only one IFPS program (in Nhulunbuy), which does not reach all communities in the region.

To understand the nature of this overlap better, we examined the types of services funded through different departments (figure 2). We found that there is considerable overlap between

agencies in terms of the services they fund — and some types of services, such as early childhood and family support services, were funded from as many as seven different sources.

Table 1 Number of grants by service type

<i>Service type</i>	<i>Commonwealth</i>	<i>NT</i>	<i>Total</i>
Child protection	-	142	142
Community development	13	61	74
Crime, justice and legal	51	28	79
Domestic, family and sexual violence	17	55	72
Early childhood	104	32	136
Education	54	27	81
Employment	5	4	9
Family support	42	33	75
Health and nutrition	66	3	69
Homelessness and housing	6	32	38
Mental health and substance misuse	36	50	86
Migrant services	6	3	9
Remote services	1	-	1
Sport, recreation, culture and wellbeing	67	242	309

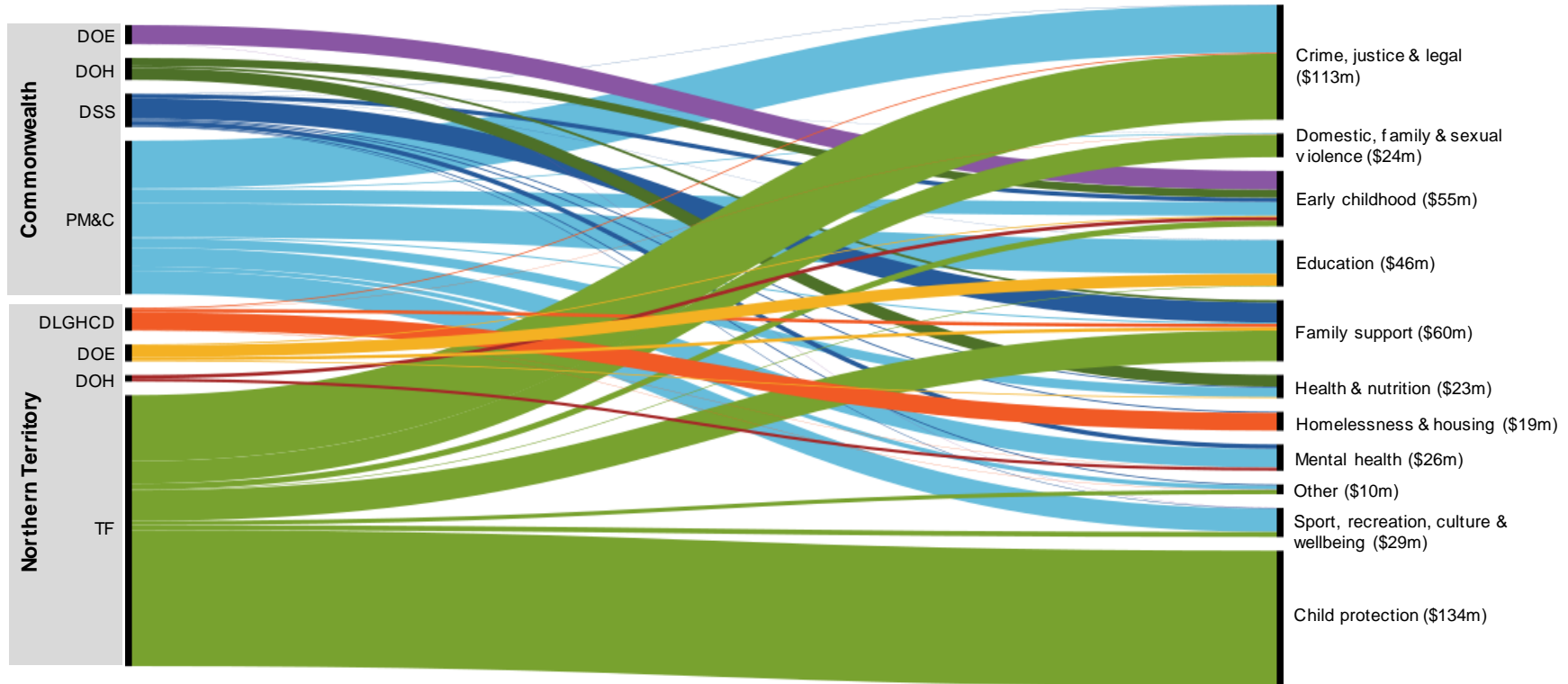
This reflects the observations of Child Friendly Alice, which noted that sometimes:

... one agency doesn't know another is involved, or if they do know another agency is involved the parties have not reached agreement on who does what and by what time ... An example of this is Connected Beginnings funded by [the Commonwealth Department of Education] in key sites in the NT, including Alice Springs, DSS fund a range of similar services (such as Stronger places Stronger people, Communities for Children, HIPPY, Intensive Family Support, similarly PMC fund services. [The NT Government] also fund related services ([Families as First Teachers], Child and Family Services).

There are instances where similar services are being funded by different agencies in the same areas. For example, in Umbakumba (on Groote Eylandt) there are several services targeting children aged 0 to 5 years, including: Families as First Teachers (NT Department of Education); Save the Children's early childhood program (Anindilyakwa Land Council); and the Crèche Centre (East Arnhem Regional Council). Funding of services from non-government sources (such as royalties and philanthropic donations) adds to the complexity of the service system. The Commonwealth Department of Education funded the Connected Beginnings program in Groote Eylandt to help integrate the range of early childhood, maternal health and family support services in the area.

Participants to this study also drew attention to areas where there were service gaps in some locations, including: mental health supports for young people; parenting programs; access to safe houses; and youth justice services, including the provision of legal assistance, supported bail accommodation, rehabilitation and therapeutic programs.

Figure 2 What types of services do departments fund?



Shared responsibilities are challenging but inevitable

The unclear and overlapping responsibilities and objectives of each level of government is one cause of the overlap and fragmentation in services. The Commonwealth plays a significantly more hands-on role in directly funding children and family services in the Northern Territory than it does in other jurisdictions (partly due to its role in Indigenous policy). It provides about 40 per cent of the expenditure on children and family services in the Northern Territory, all of which flows through grant programs.

Both governments share the same objective — that Australia’s children and young people are safe and well — articulated in the *National Framework for Protecting Australia’s Children*, but it is not always clear how this is translated into funding decisions. Each government funds a plethora of activities — with the NT Government alone having more than a dozen strategic plans relevant to children and family outcomes — but often the relationships between them are not explicit, and they do not identify clear boundaries for who is responsible for what when it comes to related funding decisions. Responsibility for specific service areas is spread across the two governments, with much overlap.

That said, a realignment of responsibilities based on the principle of subsidiarity (where service delivery is, as far as practicable, delivered by the level of government closest to the people receiving those services) is likely to be contested and protracted. Such efforts also bring risks of creating new funding silos and undermining cooperation if each government were less committed to shared outcomes as a result (or less committed to providing funding).

Significant improvements to service delivery can be made without trying to codify or substantially realign responsibilities. Although clearer roles and responsibilities would be desirable in the long term, efforts to achieve this now could prove counterproductive. In any case, a new process to coordinate funding decisions between governments (proposed later) is likely to result in clearer responsibilities evolving organically.

Inadequate coordination and integration arrangements

Shared roles and responsibilities for children and family services necessitate effective coordination and collaboration. But there is currently inadequate coordination between and within the Commonwealth and NT Governments.

Coordination appears to be improving, with the establishment of a number of coordination forums in the NT Government, including the Children’s Sub-Committee of Cabinet, and regional strategic coordination committees, which involve Commonwealth and NT Government representatives and service providers in each of the NT Government’s regions. We have little direct evidence of how successful these have been and most are in the early stages of development.

Coordination may further improve following the establishment of the Children and Families Tripartite Forum (the Tripartite Forum) in 2018 to coordinate policy and funding decisions

in the Northern Territory (discussed below). The Tripartite Forum has formal representation from the Commonwealth and NT Governments and the community sector.

In terms of coordinating service delivery, the NIAA, DSS and the NT Government have each established programs aimed at integrating services in specific communities. These often involve an entity coordinating particular services (such as early childhood services). Other initiatives have been more bottom-up and relied on the initiative of service providers and regional network staff. But these ad hoc place-based initiatives are mostly small scale and often overlap, with little ability to induce cooperation by other parts of government. And although the NIAA has a well-established regional network, it is underutilised, with limited authority to make decisions. The expertise of regional network staff could be more effectively used by the NIAA central office, as well as by other Commonwealth agencies, such as DSS.

In some places, there are multiple efforts to integrate services on the ground. For example, in Alice Springs, several coordinating bodies for children and family services have been funded by governments, including Connected Beginnings (Commonwealth Department of Education), Larapinta Child and Family Centre (NT Department of Education), and Communities for Children (Department of Social Services). In an effort to bring about a more cohesive and coordinated system, the Child Friendly Alice initiative was created, which includes representatives from each of the above organisations.

Overall, in most cases, service providers are left with the difficult task of trying to provide integrated services that meet community needs. The coordination that does occur is typically informal and ad hoc (for example, providers co-locating or sharing referrals), and is strongly reliant on the personalities of staff. Reliance on such an approach in the absence of more formal mechanisms runs the risk that collaboration dissipates when key staff move on.

Services are not rigorously targeted to needs or priorities

Understanding the level of need for children and family services in different communities provides an evidence base for directing limited funding and resources in the most effective way. There are pockets of good-practice needs assessment, such as where funders draw on data and local consultation to identify vulnerable and at-risk children and families. However, the current approach to assessing needs is siloed, conducted separately by different funders on a program-by-program or application-by-application basis. This is compounded by the lack of up-to-date data on the services each government is already funding in each location.

Overall, it is unclear how the merits of activities for one place are weighed against the merits of activities in another. There is a risk of inequitable funding flows driven by the capacity of service providers to apply for funding, rather than being driven by an assessment of the needs or priorities of communities or likely effectiveness of different services.

Stakeholders also raised concerns that genuine community input is limited, often relegated to how services will be delivered after funders have decided what service to fund — an

undeniably ‘top-down’ approach. There are exceptions, such as some place-based programs that rely on local organisations to identify services based on consultation with communities (known as facilitating partner models, with different versions funded by the NIAA and DSS). But these programs often face small budgets that need to be stretched over wide areas. For example, in the Katherine region, the facilitating partner received \$1.3 million in 2018-19 to provide children and family services to a population of 17 822, living in 21 communities in an area of 326 327 km² (larger than Victoria and Tasmania combined). And consultation may be limited in practice.

The result can be that necessary services do not exist in some places, or that the services that are funded are not tailored to the social, cultural or demographic contexts of the community. One example raised by participants was that parenting programs can be based on Western child-rearing practices and not facilitated by Aboriginal people for Aboriginal people.

Although some programs offer scope for providers to tailor programs to the local context, others are more rigid. For example, the Communities for Children program requires half of its funding to be directed to evidence-based activities, which involves selecting from a predetermined list of programs or submitting activities to the Australian Institute of Family Studies. This can be challenging given the sparse evidence for ‘what works’ for children and family services in the Northern Territory (and especially in remote Aboriginal communities).

The combination of these factors means that, overall, government funding decisions do not align with a place-based approach (targeting funding to the needs and priorities of each community) or a public health approach (investing in the most effective measures to prevent harm to children in the long term). Both governments recognise the importance of consultation and engagement with communities to identify needs and design and deliver services that are culturally and place appropriate. All three of the major funders (NIAA, DSS and the NT Government) are implementing place-based or local decision-making approaches in some communities. These are positive steps.

Short-term, inflexible approach to funding services

Compounding these issues is the short-term nature of contracting for children and family services. Grant contracts are generally short term (between two and four years), and focus on outputs rather than longer-term outcomes. This creates uncertainty for service providers and inhibits their ability to plan and invest. Of particular concern for providers are:

- short-term staff contracts leading to high staff turnover, which can impede continuity of care for children and families with complex needs. Staffing issues are particularly pertinent in servicing remote parts of the Northern Territory, where local labour markets are thin and it is difficult to attract skilled workers
- an inability for long-term planning (including investments in organisational and workforce development) and collaboration with other local providers. This works against the achievement of an integrated public health approach to children and families

-
- the administrative costs of providers having to spend time cobbling together funding from different sources, which shifts resources away from service delivery and is particularly difficult to justify when funding is continually renewed. As an example, the North Australian Aboriginal Justice Agency received \$6.5 million of funding in 2018-19 from 11 different grants from the same department, all for the provision of legal services
 - funding arrangements that do not take into account the full costs of service delivery, including capital costs (such as staff housing, vehicle, and building expenses) which can be critical for services to be delivered, particularly in remote communities. For example, youth services could not be consistently provided in the remote community of Utopia until staff housing was built for someone to run these programs. Other costs that are often overlooked are capacity building, and funding for monitoring and evaluation that funders expect of providers.

Funding uncertainty is compounded by funders providing insufficient information at each stage of the contracting process, especially short application timeframes and limited advance warning of renewal or discontinuation of funding. This inhibits effective design of services and providers' ability to plan beyond the existing contract.

Concerns were also raised about competitive funding processes that place a disproportionate weight on the financial costs of services, over other less tangible benefits, such as cultural capability. This can mean that contracts are awarded to providers who can deliver outputs at least cost, even though another (higher cost) provider may be more capable of delivering better longer-term outcomes. While governments have recently focused on how they can better engage local service providers to promote local and culturally appropriate service delivery, these efforts are still in their early stages.

3 A better approach to funding children and family services

A new approach is needed for funding children and family services in the Northern Territory. Governments need to move away from the top-down, siloed and fragmented approach to funding and delivering services and towards a system that targets funding to the needs and priorities of children, families and communities. To effectively address the complexities faced by children and families in the Northern Territory, communities must be part of the design, delivery and evaluation of the programs and services that affect them.

We are recommending changes to the way decisions are made about what services are funded; how service providers are funded and managed; and how the outcomes of government investment are tracked, evaluated and reported (table 2). A theme that underpins our suite of recommendations is that keeping children safe and well is a shared responsibility — of families, communities, and governments — and that in order to improve outcomes, a more collaborative approach is needed.

The reforms cover four priority areas.

1. *A cooperative approach to funding (formalised in an intergovernmental agreement), underpinned by regional plans* — the Commonwealth and NT Governments need to agree on a new way of working together. The new approach should include governments genuinely engaging with communities, to come to a shared understanding of the issues their children and families face, and to jointly commit to solutions, with collective ownership of outcomes. To put this new way of working into practice, a formal process to agree on funding for children and family services should be established, with the framework for doing so being set out in a new intergovernmental agreement. This process should be underpinned by better regional- and community-level data and knowledge and regional plans that identify service needs and priorities.
1. *A longer-term, collaborative approach to contracting service providers* — all relevant funders of children and family services in the Northern Territory should transition to longer-term funding contracts with service providers (a default of seven years), and adopt a relational approach to managing contracts. This means working collaboratively with providers (in consultation with communities), focusing on outcomes, and building the capacity of Aboriginal organisations to deliver services.
2. *Better data at the regional and community level* — there is a need for the Commonwealth and NT Governments to improve their data collection, to measure progress against wellbeing outcomes for children and families and to share this data with communities. This should be supported by monitoring and evaluation that uses community-level data and that facilitates learning-by-doing and continuous improvement in services.
3. *Stronger supporting institutions* — stronger institutions will be needed to support the above reform areas. This includes strengthening the role and resourcing of the Tripartite Forum (to provide advice to governments on coordinated funding decisions), and a stronger role for regional staff to lead the development of regional plans and to undertake relational contracting.

Following the release of the draft report for this study, the Commission received broad support for most of the proposed reforms. Reservations that were expressed largely related to the practical challenges associated with implementing the recommendations. Key issues included: the resourcing, expertise and authority of regional government staff involved in planning and relational contracting; how to embed genuine community engagement and voice in the planning process (especially in light of previous community planning initiatives and the expectations they raised); and ensuring that both the Commonwealth and NT Governments remain committed to changing their practices and coordinating funding over the long term. For this final report, the Commission has sought to provide as much guidance as possible on how to overcome some of these implementation challenges.

Table 2 Recommendations

<i>Problems</i>	<i>Causes</i>	<i>Recommendations</i>
Reform area 1: Coordinated funding underpinned by regional plans		
Services are fragmented across places and providers, and collectively fail to meet the needs and priorities of children, families and communities. Communities have little say over what gets funded	<ul style="list-style-type: none"> • Lack of comprehensive assessment and identification of needs and priorities to inform funding decisions — governments not taking a place-based approach • Services imposed in a 'top-down' or supplier driven way, often with little community engagement in the design and delivery of services • Inadequate coordination of funding decisions across government 	<ul style="list-style-type: none"> • Commonwealth and NT Governments work with communities to develop regional plans that identify and prioritise needs (rec 6.1) • Governments fund services consistent with regional plans (rec. 6.1) • As above, and community engagement during service delivery to build the evidence base and enable continuous improvement (rec. 9.1) • A new process for better coordinating funding between governments (rec. 6.1)
Lack of coordination on funding priorities between Commonwealth and NT Governments	<ul style="list-style-type: none"> • Overlapping and unclear roles of governments • Unclear links between policy objectives, outcomes and actions • Lack of data sharing and needs assessments 	<ul style="list-style-type: none"> • Governments to work together (with advice from the Tripartite Forum) to share information and coordinate funding, and to pool funds in selected areas (rec. 6.1) • Coordination on funding supported by a joint funding framework (intergovernmental agreement) to be agreed between the Commonwealth and NT Governments by the end of 2021 (rec. 10.1)
Reform area 2: Longer-term, more collaborative contracting of service providers		
Funding uncertainty for service providers inhibits planning, staff retention, and development of relationships with users	<ul style="list-style-type: none"> • Short grant funding periods (on average, 2–4 years) • Insufficient notice of when grants will be renewed or ceased 	<ul style="list-style-type: none"> • Transition to longer-term funding (7+ years) using a more flexible, relational approach to contracting, which focuses on continuous improvement rather than short-term service outputs (rec. 8.1, 8.3) • Rolling schedule of funding opportunities, with sufficient time for providers to apply and design appropriate services (rec. 8.1)
Funding does not cover full costs of services, resulting in providers having to cobble funding together and manage multiple grants	<ul style="list-style-type: none"> • Individual grants do not provide sufficient funding for service provision due to: <ul style="list-style-type: none"> - restrictions on the use of funds (for instance, funding does not take full account of capital costs) - failure to account for higher costs in remote areas 	<ul style="list-style-type: none"> • Funding contracts should take account of the full costs of service provision, and there needs to be coordination of expenditure on capital assets (such as staff housing) where these are needed to effectively deliver services (rec. 8.1)
Competitive funding processes can disadvantage smaller local, Aboriginal organisations and discourage collaboration	<ul style="list-style-type: none"> • Disproportionate focus on short-term costs over long-term benefits • Community-based service providers have limited resources to compete against larger, non-Aboriginal organisations 	<ul style="list-style-type: none"> • Greater focus on provider characteristics in funding decisions, and grant agreements to support partnerships with local Aboriginal organisations, including by specifying transition timeframes and roles in the funding agreement, and resourcing for capacity building (rec. 8.2)

(continued next page)

Table 2 (continued)

<i>Problems</i>	<i>Causes</i>	<i>Recommendations</i>
Reform area 3: Better data at the regional and community level		
The funding landscape for children and family services is opaque, making it difficult to assess current services	<ul style="list-style-type: none"> • Challenges with data availability, including: <ul style="list-style-type: none"> - inconsistent location data, which is not linked to specific towns or communities - inconsistent categorising of activities across departments 	<ul style="list-style-type: none"> • Develop a common method for: <ul style="list-style-type: none"> - reporting location data (rec. 7.2) - describing and categorising children and family services (rec. 7.2) • Create and maintain a single public services list (rec. 7.3)
Lack of oversight of how outcomes for children and families are changing over time, or how service delivery is contributing to these outcomes	<ul style="list-style-type: none"> • Limited data is available on children and family outcomes by location on a consistent basis • The contribution of services to outcomes is not rigorously tracked 	<ul style="list-style-type: none"> • Collate outcome measures for children and families and develop community snapshots for each community (rec. 7.1)
Performance reporting imposes burdens on service providers for limited visible benefit	<ul style="list-style-type: none"> • Multiple funders means multiple reporting requirements • Data is requested frequently and does not seem to be effectively used by agencies or fed back into agency-level performance reporting on outcomes 	<ul style="list-style-type: none"> • Adopt relational contracting (rec. 8.3) and a continuous improvement approach to monitoring and evaluation of services (see below).
Limited evidence of 'what works' for children and family services/activities in a Northern Territory and remote/Indigenous context	<ul style="list-style-type: none"> • Scope for continuous improvement constrained by prescriptive contracts and inadequate data collection • Limited use of evaluations • Cost of evaluation often borne by service providers with limited resources or capacity to undertake or commission evaluations 	<ul style="list-style-type: none"> • Adopt a continuous-improvement approach to monitoring and evaluation (rec. 9.1): <ul style="list-style-type: none"> - embed monitoring and evaluation in funding contracts (including funding for surveys) - government funders to prioritise more formal evaluations based on levels of risk and expenditure
Reform area 4: Stronger supporting institutions		
Poor coordination of government funding decisions	<ul style="list-style-type: none"> • Existing institutional structures are nascent, underutilised or patchy 	<ul style="list-style-type: none"> • Expanded role for regional networks to lead development of regional plans and undertake relational contracting (rec. 6.2) • Role of Tripartite Forum to be expanded to provide advice to governments on funding allocation and funds pooling (rec. 6.3)

Reform area 1. Coordinated funding underpinned by regional plans

A formal process is needed to coordinate the funding of children and family services by the Commonwealth and NT Governments. Although a formal coordination process could take many forms, best results will be achieved when both governments share detailed data, agree on what types of services they will each fund and in which locations, and agree to pool funds in specific policy areas and/or locations where there is already a high degree of overlap in

funding activity — with scope to increase the extent of pooling over time. The Commission is proposing a process that the Commonwealth and NT Governments should use to reach agreement on funding children and family services. The new arrangement should be outlined in an intergovernmental agreement (described later) between the Commonwealth and NT Governments. It involves four key steps (figure 3).

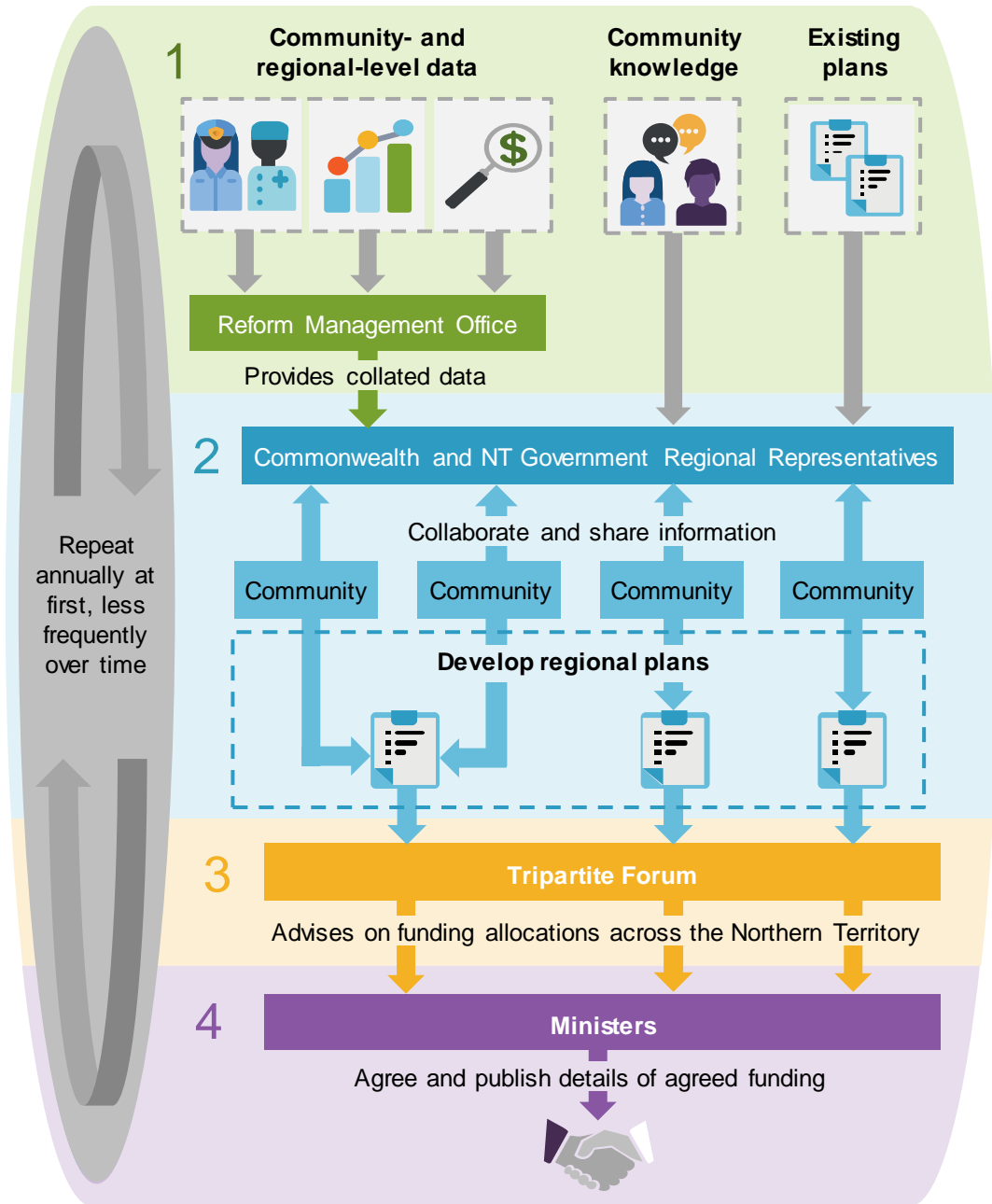
1. The NT Reform Management Office collating available community- and regional-level data on outcomes (risk and protective factors), current expenditure and the availability of children and family services in each region, to complement community knowledge and understanding.
2. Regional managers (from the Commonwealth and NT Governments) sharing and discussing the data with members of each community in the region. They should also work with communities to develop a regional plan that outlines the strengths and needs of children and families in each community and gives the community a voice about which children and family services they would like to retain, change or replace.
3. The Tripartite Forum drawing on the regional plans (submitted by the regional managers) to provide advice about funding arrangements for children and family services across the Northern Territory, including advice about funds pooling for particular locations or services.
4. The relevant Commonwealth and NT Government Ministers considering the regional plans and advice of the Tripartite Forum, agreeing on which children and family services each is going to fund and in which locations (including pooled funding arrangements), and publishing details of the agreed funding.

This process, or parts of the process, should be repeated as frequently as necessary to guide coordinated funding decisions. There may be a need to repeat steps 3 and 4 of the process annually (at first) as existing short-term contracts end and new data gradually becomes available, and to reflect annual budgeting and reporting cycles. Ensuring that steps 1 and 2 are refreshed on an annual basis need not be onerous — if new data has not been published or local priorities have not changed, ensuring that regional plans are up to date and providing advice based on those plans may be quite straightforward. In the longer term, less frequent updates may be appropriate.

Sharing data with the community and developing the regional plans

As the regional plans are intended to guide funding decisions, governments will need to facilitate the process of developing them by disseminating the necessary data. Access to data is vital in empowering communities, service providers and governments to make good decisions. Relevant data should be compiled into ‘community snapshots’ and provided to regional network staff and to the community so that the data can be validated by local representatives.

Figure 3 **A process for the Commonwealth and NT Governments to agree on funding for children and family services**



Regional network staff from the NIAA and NT Government would be jointly responsible for developing the regional plans and for doing so in collaboration with communities. There needs to be genuine engagement with community members at all stages of this process so that the plans are accepted and supported as widely as possible. There may be variation in the capacity and willingness of local people to get involved in the process, and it should be open to different approaches.

It is incumbent on regional government staff to get the process started and they should begin negotiations with whichever community members want to be involved. In order to be valuable in guiding governments' funding decisions, engagement with communities needs to accurately reflect their situation and priorities, taking into account the social, cultural and economic ties that exist across populations (box 1).

Box 1 What constitutes a region?

Regional plans should be developed to cover all children and families within the Northern Territory. And although it would be tempting to say that each community, town or settlement should have its own plan, this is likely to be unworkable and inefficient, particularly if sufficiently granular data is not available, if existing social and cultural networks (and population movements) span a broader geographic area, or if services can be more effectively provided across a wider area.

There are a number of options for defining regions for the purposes of decision making for children and family services. One option is to start with the six regions used by the NT Government (Top End, East Arnhem, Big Rivers, Barkly and Central Australia, with Darwin recognised as a metropolitan centre). But most of these regions span such wide geographical areas and diverse populations that they are too large to provide a true community voice on the needs and priorities of children and families. If they were used for regional planning, local communities are unlikely to recognise their needs and aspirations in such aggregated plans.

The Commission's suggested approach is to align regional plans with the locations for which local decision-making agreements are being developed, where those agreements are relevant to children and families. At present, there is an agreement for the Groote Archipelago, and potentially relevant agreements are being developed for: Tiwi Islands; West Daly; the Yolŋu region of East Arnhem; Alice Springs Town Camps; and the Mutitjulu Community (a community located at the base of Uluru). Regional plans would also need to be developed for other locations that are not yet covered by local decision-making arrangements. The Barkly region could have a single regional plan, to align with the Barkly Regional Deal. In other areas, governments will need to work with communities to define regional boundaries, but it would be expected that cities and large towns — such as Darwin, Palmerston, Alice Springs and Katherine — would each have their own regional plan. Taking all of this into account, about 12–20 regional plans would be developed, with multiple plans within each of the NT Government's six regions.

The overriding imperative of the regional plans is not to develop comprehensive community profiles or to achieve unanimity about which services should be provided, but rather to start moving through the steps and developing the plans using whatever data and information are currently available. In the first instance, the data will be incomplete, with a range of known gaps and deficiencies. But initiating conversations about communities' needs and values and reflecting those conversations in brief regional plans that can be used to guide governments' funding decisions should not wait for perfect information.

The regional plans should reflect the desired outcomes and prioritised needs of communities across the region, as articulated by community members and local governance bodies. These can build on existing strengths in the community — for example, a community with strong cultural ties might prioritise initiatives that help children to engage with their culture over behavioural interventions in schools. The aim would be to identify priority service areas that

could then inform funding decisions. But this does not necessarily require the identification of specific services. It may be that communities identify priority areas (such as support for youth mental health) with the nature of the service or activity to be determined later.

An immediate start to the process would help to address concerns about coordination and planning being used as substitutes for action, particularly where planning has already been done. Existing plans and governance structures should be made use of and built on. For example, groups in Katherine and Palmerston have developed Youth Action Plans, and community reference groups (and associated plans) have been established in 14 sites across the Northern Territory as part of the Communities for Children and Stronger Communities for Children programs. Making use of existing planning structures is essential for reducing the burden of consultation, which can be considerable in remote communities.

The regional plans should cover all children and family services, but could eventually be broadened to cover other community needs (such as housing or health services, as these are inextricably linked to the protection and wellbeing of children and families). Including broader needs in the plans over time could provide an opportunity to inform these other areas of funding decisions and encourage governments to think more holistically about how they provide services, especially in remote areas.

Government agreement on what to fund from the regional plans

To coordinate funding of the priorities identified in regional plans, the Commonwealth and NT Governments should establish a formal process of ‘agreed funding with selected funds pooling’. In this model, the governments would first need to agree on what types of services they will each fund, and in which locations, drawing on the available data and the regional plans (as they become available). Governments would need to agree on this before funding decisions are made (supplemented by much greater data sharing on what each government is already funding). Existing funding programs (such as the NIAA’s Indigenous Advancement Strategy or DSS’ Families and Communities Program) could largely be kept in place initially.

The governments should then seek to move towards pooled funding for selected service areas and/or locations, such as services where responsibilities and funding are currently very fragmented or unclear (for example, family support services). Pooling has the advantage of allowing service providers to obtain one grant for a particular service rather than cobbling together multiple grants, with all of the compliance and administrative burdens that it creates.

Funding decisions would be supported by the advice of the Tripartite Forum — the advice of the Forum would focus on the distribution of expenditure and needs across the Northern Territory (and opportunities for pooling) based on the suite of regional plans. Relevant Commonwealth and NT Government Ministers are ultimately responsible for funding decisions based on the advice of the Forum and the regional plans, and under our proposal, should publish details of their agreed funding decisions for each community. This process should be formalised in a joint funding framework (an intergovernmental agreement) which

was recommended by the Royal Commission, and which our study is intended to inform (as noted in our terms of reference).

The process could start with a staged approach with small-scale funds pooling in a few areas to better understand the practicalities, risks and challenges that pooling would give rise to. Subject to this being successful, governments could then move over time to greater use of pooling — something more akin to full funds pooling, with significantly greater local control of funding, delivery (if desired) and monitoring of services.

Local control of some services is an end in its own right and the NT Government has embarked on a process of developing local decision-making agreements with communities (box 1). This involves giving communities the authority to decide which services they will receive, and how these services will be delivered (although this does not necessarily mean delivery of services by a local entity). It can range from a community organisation guiding governments on how to provide a single service, right up to the community having its own pool of funding to spend in line with its priorities.

Not all communities are in the position to move to local decision making immediately, but in the long term local decision making can be facilitated by both the Commonwealth and NT Governments pooling funds for specific communities. Governments will need to invest in building the capacity of local organisations and governance structures, including by providing funding and training. They will also need to grapple with complex questions of who represents a community. These issues do not have easy answers, and governments should assist communities in finding their own solutions.

Reform area 2. Longer-term, more collaborative contracting

A fundamental shift is required in how governments contract and fund providers of children and family services. There needs to be a transition away from short-term, transactional and output-based funding, to longer-term relational and outcomes-focused funding, where governments and service providers work collaboratively to improve service delivery outcomes. We are recommending several reforms along these lines.

- *Default contract terms of a minimum seven years*, with exceptions made for instances where shorter-term contracts would be more appropriate, such as for one-off events. There are some risks that will need to be managed as longer-term contracts could entrench ineffective providers in a community and act as a barrier to the entrance of new providers. Contracts should contain safeguards to allow governments to remove providers in cases where they fail to deliver an adequate standard of service despite ongoing support from government to rectify issues.
- *Funding that reflects the full costs of service delivery*, where funding takes into account the higher costs of service delivery in remote areas and other functions that support service outcomes (such as reporting and evaluation). Where service delivery requires access to infrastructure that is not available (such as staff housing) agencies need to look

beyond the immediate grant funding decision, and consider how best to coordinate their expenditures on capital assets with their grant programs for services

- *Funding and contracting to support capacity building and partnerships* with Aboriginal organisations, where they are better placed to provide services and improve outcomes for Aboriginal communities. Partnership approaches between Aboriginal organisations and non-Aboriginal service providers should be supported by funding arrangements that include a clear succession plan (where transition is desired) and appropriate resourcing and incentives for skills transfer and capacity building over the life of the contract.

The adoption of longer-term funding arrangements will require more flexibility. Not all actions taken by a service provider can be prescribed in binding contracts, especially when dealing with complex social and cultural issues. The outcomes that matter — child safety and wellbeing — are also influenced by a range of factors outside the direct control of an individual service provider.

Governments therefore need to take a more ‘relational’ approach to contracting (figure 4). This involves collaboration between purchasers (governments), providers, and clients (families and communities), where they jointly assess progress and service outcomes to identify opportunities to improve performance and align effort with emerging priorities of children and families. Governments will need to relinquish some control over how services are delivered — resisting the urge to micromanage from Canberra or Darwin — and trust and authorise local staff and service providers to make decisions (in collaboration with regional managers) on the most appropriate ways to meet the needs of children and families in each community. To support this, service contracts will need to be sufficiently flexible, so that funders and providers can make meaningful adjustments to service delivery as required.

For example, a staff member from the NT Government’s East Arnhem regional network office could visit the provider of a Territory Families-funded youth diversion service in Yirrkala on a regular basis (say monthly, with the option for more regular visits as required such as in the start-up phase) to discuss performance against service outcomes and identify key issues with delivery — informed by consultation with users of their service. Collectively, they can identify and resolve issues, in collaboration with regional managers or national offices if material funding changes are required.

Figure 4 A classical versus relational approach to contracting

Characteristics	<ul style="list-style-type: none"> • The nature of the transaction can be specified in advance • Contract has rigid terms • Discrete and short transactions (short-term contracts) • Output is easy to monitor • Contracts are more formal/legally enforceable • Risk can be defined ex ante • Less risk sharing between contracting parties • Auditing the service provider is for control • High contract establishment costs from negotiation 	<ul style="list-style-type: none"> • Difficult to detail transaction in advance • Contract has flexible terms • Continuing transactions (long-term contracts) • Output is difficult to monitor • Contracts are less formal/likely to rely on self-enforcing mechanisms • Risks cannot be defined ex ante • More risk sharing between contracting parties • Auditing the service provider is for strategic planning • Low contract establishment costs from negotiation
	<div style="display: flex; justify-content: space-around;"> <div style="background-color: #4CAF50; color: white; padding: 5px 20px; border-radius: 15px;">Classical</div> <div style="background-color: #4CAF50; color: white; padding: 5px 20px; border-radius: 15px;">Relational</div> </div>	
Environment	<ul style="list-style-type: none"> • Urban setting • Purchaser requires the delivery of a discrete service • Competitive market among providers • Relationship between contracting parties is not essential for effective service delivery 	<ul style="list-style-type: none"> • Remote setting • Purchaser requires the delivery of a wide range of services • Competitive market does not exist among providers • Relationship between contracting parties is essential for effective delivery

Relational contracting provides the contract manager with more timely and relevant information about program performance. As a result, funding agencies will be in a better position to make decisions about whether programs should be renewed — or, in extreme cases, whether the service contract should be terminated if the provider is not meeting expectations (for example, if a provider is continually failing to provide a service). This will help foster an environment where good performance is more likely to result in funding renewal, or even expanded funding for a wider range of programs.

Relational contracting is not suited to all service contracts. It is best suited to funding arrangements that involve high levels of dependency between governments and providers (including where there is a lack of competition) and complex service outcomes (and thus where a collective approach to managing risk will produce a better outcome). Both of these factors exist for many types of children and family services, particularly for preventative services that are difficult to specify in advance and rely on an evolving relationship to define outcomes. How closely funders and providers work together in practice will need to be tailored to the particular service, balancing the frequency of interactions against the administrative burden they impose. Where relational contracting is adopted it is essential that all parties to the contract have a thorough and detailed knowledge of how the contract is being implemented, so site visits will be an essential element of contract management.

Reform area 3. Better data at the regional and community level

When used well, data can support powerful changes in communities. Governments need to make better use of data to systematically plan services and allocate funding based on needs. More transparent data on services and outcomes at the community level is needed to support the development of regional plans. It is also needed for monitoring and evaluating the impact of government expenditure on children and family services.

Harness community-level data on outcomes to support decision making

Communities and government funders need access to data on risk and protective factors relevant to child harm and wellbeing to develop regional plans and make informed decisions. This is a key aspect of the coordinated funding process outlined earlier (in steps 1 and 2 of the process outlined in figure 3). To support meaningful community engagement and input into the development of regional plans, the NT Reform Management Office should compile the best available data into ‘community snapshots’ (box 2). The snapshots should be provided to regional network staff and to the community and would serve to complement, and be validated by, community knowledge about how children and families are faring.

Box 2

What information could feed into community snapshots?

Baseline data on child wellbeing at a community or local government level would feed into community snapshots. The data would likely include:

- data on community strengths and protective factors, such as the diversity of languages spoken at home and the proportion of children with well-developed emotional and social skills
- socio-economic data, such as household income and the average number of people per bedroom
- rates of crime and incidence of domestic violence
- child protection notification and substantiation rates
- health and education data, such as educational attainment and attendance and the proportion of children whose physical health and wellbeing is deemed on track.

Existing services and assets, including information on what services are currently being delivered and any information on usage rates that could suggest whether current services are under or oversubscribed. This can be supported by data from the service list (recommendation 7.3).

Much of the data that would be included in community snapshots is already publicly available at the community level but often this data is reported across multiple sources and in different ways so it can be difficult for potential users to access and interpret. The NT Government’s *Story of our Children and Young People* (released for the first time in 2019) reports 48 indicators that span all aspects of child wellbeing. This includes data on health, education and culture (such as language and cultural diversity). It also includes data on sensitive matters such as rates of child abuse and domestic violence, which had previously

only been publicly available at the Territory-wide level. The data collated for the *Story of Our Children and Young People* is a positive step in building a picture of the wellbeing of children in the Northern Territory, but it only reports information at the regional level (Barkly, Big Rivers, Central Australia, Darwin, East Arnhem, Top End). It is not sufficiently detailed to facilitate community input into the regional plans.

Participants to this study expressed a desire to access community-level data to inform local planning and funding decisions. There was a level of frustration that communities have been ‘over consulted’ and ‘over surveyed’ — with very little of the data that is collected being shared directly with the people who had provided that data. The apparent reticence in sharing data in itself has created a level of distrust and disempowerment in communities. Providing data to communities helps to ensure they are on equal footing with governments and equips people with the information needed to make decisions on the outcomes they value most. Indeed, there are examples where access to community-level data has been powerful in facilitating successful initiatives to support children and young people (such as the Maranguka Justice Reinvestment project in Bourke). There are also examples where community-level statistical data (including on child protection, crime and justice) has been used alongside qualitative evidence, community voice and storytelling to generate community profiles (an example is the Child Friendly Alice Community Profile).

But there are also considerable concerns associated with the release of local data relating to children and families, particularly sensitive data that shows involvement with the justice and child protection systems. Some participants raised concerns that such data is often presented as a problem and is deficit based rather than strengths based, and could be misused to marginalise and stigmatise whole communities. This risk can be at least partially mitigated if data release is carefully managed and done in collaboration with the community itself (the Child Friendly Alice Community Profile is an example of where the release of sensitive data has been effectively managed).

There are also concerns that the data could be used to create ‘league tables’ or other data sets that put communities in competition with each other. These are legitimate risks that need to be managed. Any release of community-level data inevitably carries with it a risk that the data could be misinterpreted and used inappropriately to compare communities. Comparisons, such as public league tables, do not recognise the diversity of each community’s history, culture and circumstances, and should not be used to guide policy and funding decisions for children and family services. Again, the way that data is released can help to mitigate the risk of inappropriate use.

The public release of regional-level data has become more extensive in recent times, and this is a very welcome development. But the desire from communities to have access to more granular data is growing. Ultimately, the choice to make community-level data publicly available involves balancing the risks against the benefits of releasing this more granular data. These risks may appear particularly acute because they are concentrated in the short term, while the benefits of change will take longer to realise. On balance, the Commission considers that the benefits of public access to community-level data outweigh the risks, as

long as the data is presented in a meaningful and accessible way, using appropriate techniques to maintain data quality and privacy. At a minimum, this would involve sharing community snapshots with regional managers of each governments' regional networks, and with any community representative who is interested in accessing the data. It would not involve the NT Government publishing the data or snapshots on websites or sharing individual community profiles with other communities — although in principle such release could be desirable, the potential risks are likely to outweigh the benefits at this time.

Improve information about expenditure and services in each community

In order to complete the regional plans, governments will also need to improve record-keeping about where and what services are provided. In undertaking the expenditure stocktake for this study, we found data about what services have been funded to be particularly poor. It was not possible to accurately identify how much money was being spent in specific locations, or the services that were being provided there. We also heard that families are often unaware of the services available in their local community — meaning that such information is not necessarily a matter of 'local knowledge'.

Commonwealth and NT Government departments need to improve and harmonise the way they record information about the services they fund. In particular, they should adopt a common method for categorising the types of services they fund and a common geographical unit for reporting where funded services are provided. This improved expenditure data could then be leveraged to identify what types of services are available in a particular town or community. The NT Government should use this data to develop a single and cohesive public children and family services list. This list (which would also require input from service providers) should include details about: the service; the provider; when the service is available (hours of operation); and how the service can be accessed (including costs of attending). At a minimum, it should cover services funded by the Commonwealth and NT Governments, and ideally would cover all services (such as those funded by royalties or philanthropic sources).

Adopt an evaluation approach that supports continuous improvements in services

Monitoring and evaluation of children and family services is essential for tracking progress against outcomes and for facilitating continuous improvement in the design and delivery of services. It is also necessary for ensuring that governments and service providers are accountable to the community for how they use public resources. But such work is difficult, and the context of children and family services in the Northern Territory presents significant challenges.

It is not practical or feasible to formally evaluate all children and family services or activities. Moreover, 'gold standard' program evaluations (such as the use of randomised controlled trials) are in many cases not informative for children and family services in the Northern Territory. Where they are undertaken, the results should be interpreted carefully — precise

impacts cannot be estimated and findings may not be transferable or replicable in other communities. This is due to the multifaceted factors that influence outcomes, the multiple programs simultaneously directed at improving outcomes, and the rapid changes that can occur in policy and in the services being delivered.

A more practical and effective use of evaluations of children and family services is when they facilitate learning by doing and improvements in services over time. This requires monitoring and evaluation to be embedded into funding and contracting from the start, rather than as a separate process. A continuous improvement approach to evaluation would involve the collection of basic input, output and outcome metrics (such as which services are being used, how often, and users' experience with the service). These can be supported by provider-level monitoring and relational contracting.

Grant funding should include funding to run periodic surveys (potentially more than one survey if the contract length is more than five years) to seek community views about the functioning of the program and how it could be improved. In collaboration with local funding agency staff (as part of the relational contracting approach described above), the provider could then propose and trial any modifications to the service. As programs and services evolve through this process they would become tailored to the specific circumstances of a community.

A continuous improvement approach to evaluation can help to identify services or programs that could undergo more formal evaluations by funding agencies, particularly where there may be scope for the service to be rolled out to other communities. Funding agencies should also draw on the findings of evaluations undertaken at the service (and community) levels to evaluate their broader funding programs and policies.

Reform area 4. Stronger supporting institutions

Stronger institutions will be needed to support the above reforms. As mentioned, governments should coordinate their funding, informed by advice from the Tripartite Forum on funding allocations, including advice about funds pooling for particular locations or services. To support this, the Commonwealth and NT Governments should expand the terms of reference for the Tripartite Forum to perform this new function. The Forum will need to be adequately resourced by both governments in line with its expanded role.

There is also a strong case for strengthening both governments' regional networks. Regional network staff will play a central role in the coordinated funding process and in relational contracting. In order to effectively fulfil these roles, regional network managers and staff will need to have: appropriate *skills* in community engagement and children and family services; *capacity* in terms of time and resources; and *authority* to deliver advice and to deal with issues as they arise, including authority to make decisions about minor changes (including funding) to service delivery. Ensuring appropriately skilled and experienced staff are employed in the regional networks — and remain in those roles for long enough to develop and sustain relationships — will require additional investment from both governments.

There should also be an expectation for greater collaboration of staff within and between governments at the local level. This can be supported in practice by making regional managers from both governments' regional networks jointly responsible for working with communities to develop regional plans and for providing advice to the Tripartite Forum. This will also require cultural change within governments, so that local expertise is more highly valued.

4 Implementing the reforms

There is a significant amount of resources, motivation, and effort directed to children and family services in the Northern Territory, and signs of change. Following the Royal Commission, the NT Government announced a \$230 million reform package — called *Safe, Thriving and Connected: Generational Change for Children and Families* — to implement the recommendations over a five-year period. This included a raft of changes to the youth justice system and a commitment to establish 11 new Child and Family Centres. Around the same time, the NT Government introduced a new Local Decision Making policy, which would see the transfer of the delivery of some government services to Aboriginal communities over a 10-year period. Agreements have been signed with several communities and work is underway on planning the new Child and Family Centres with the first of the new centres opened in Katherine in February this year.

Changes are also underway within the Commonwealth. In mid-2019, Indigenous policy was transferred from the Department of the Prime Minister and Cabinet to a new agency — the National Indigenous Australians Agency. The relevant Minister said this move ‘represented a fundamental change in the way of doing business with Indigenous Australians’.

And both governments worked together to establish the Tripartite Forum and have started discussing what a Commonwealth–NT Government coordinated funding framework might look like.

These moves are promising but there is no question that the implementation task is hard. Child protection and Indigenous policy are both marked by complexity, uncertainty and divergent values. In the Northern Territory, both policy areas overlap to a large extent. There will undoubtedly be challenges implementing the reforms outlined in this report. Some of the challenges that will arise relate to:

- practical constraints — moving to longer and different forms of contracting while existing contractual arrangements are in place for several years, and maintaining continuity of services so as not to disrupt support for children and families
- responding to workforce issues, including shortages of skilled staff, especially in remote areas and where it can take considerable time for local people to be trained
- organisational culture (including the willingness of key players to collaborate and relinquish some control to local staff) and structural constraints arising from cross-jurisdictional differences.

These are difficult but surmountable challenges, particularly if tackled incrementally, starting with more transparency and better coordination between governments on what they are funding and how they commission and work with service providers. Improvements in these areas are the predominant focus of this report's recommendations. Importantly, our proposals are about better use of existing funding, rather than changes in the overall level of funding. Both governments have shown a willingness to contribute significant funds to children and family services in the Northern Territory, as is evident from our stocktake.

In developing the recommendations for this study, the Commission has been mindful of the history of reforms to children and family services in the Northern Territory, and of how these reforms have affected families and communities. We have sought to build on existing institutional arrangements and, where possible, complement reform efforts already underway. Our proposed coordinated funding option (recommendation 6.1) can be implemented without the need for a fundamental realignment of responsibilities of each government. And several of our proposals draw on existing organisational architecture, including the Tripartite Forum and each governments' regional network (recommendations 6.1, 6.2, and 8.3). Our recommendations are also compatible with, and support, the NT Government's Local Decision Making policy.

Unfortunately, many attempts to reform how governments deliver human services have been abandoned before their impacts on outcomes were known. Research undertaken for the recent review of the Australian Public Service identified a tendency for successive governments to replace the programs of their predecessors — even when the initiatives are showing signs of promise — and a reluctance on the part of politicians and public servants to learn from doing, for fear of the adverse public impact of failure. Why this is so is one of the great intractable problems of public policy. Failure occurs at a system level, in spite of the many skilled and motivated people within government. The problems are structural, and much bigger than the individuals or entities involved.

Some of our recommendations (such as longer contract terms) will help to commit governments to a particular course of action. But much more will be necessary. Other inquiries and reports have identified strategies that can help governments in the implementation journey. Common themes include leadership, building on strengths, and transparency.

Transparency must play a central role — not just in terms of policy impacts and outcomes for children and families, but also in demonstrating to the wider community what governments have agreed to, where investments are being directed, and with what aim.

A joint funding framework (intergovernmental agreement) should be negotiated between the Commonwealth and NT Governments and be agreed by the end of 2021. The agreement would serve to formalise the reforms proposed in this report, with a focus on the process by which governments will agree on what they fund (informed by regional plans). It would be an ongoing 'living' document that reflects the long-term outcomes both governments are striving to achieve. Detailed funding commitments (made in line with the process in the agreement) could be published periodically as schedules to the agreement.

Alone, an intergovernmental agreement will not be sufficient to ensure the reforms are implemented. But by providing transparency to the community about governments' commitments to work together, it would provide an incentive for governments to stay focused on reforms. In addition, by signalling a greater commitment to collaborate, the agreement would provide impetus for improved cooperation between government staff involved in the planning and funding of children and family services.

There is momentum now to build on reforms. Governments must show a willingness to exercise courage, trust and patience. But over the long term, success will hinge on leadership, collaboration and commitment by all involved.

Recommendations and findings

How much are governments spending on children and family services relevant to the prevention of harm to children?

FINDING 2.1

Significant funds are spent on children and family services in the Northern Territory. In 2018-19, expenditure on services directly relevant to the prevention of harm to children was about \$538 million — this does not include the significant expenditures directed to primary services, such as education and health care, which also influence child and family wellbeing.

The expenditure landscape for children and family services is complex and involves:

- nine funding agencies — five Commonwealth Government departments and four NT Government departments
- more than 500 service providers
- more than 20 funding streams, including over 700 grants.

Despite the size of this funding, expenditure data is not kept in a format that allows it to be used to inform policy.

FINDING 2.3

Grants for children and family services in the Northern Territory tend to be small and given for short terms. In 2018-19:

- the median grant payment was about \$225 000, with about a quarter of payments less than \$100 000
- 43 per cent of grants had terms of less than two years, and almost all grants (97 per cent) had terms of less than five years.

FINDING 3.2

Both the Commonwealth and NT Governments fund a broad range of children and family services, and there are many service areas where both governments are operating in the same field.

Areas of significant overlap in government funding include: services for addressing domestic, family and sexual violence; crime, justice and legal services; community development services; sport, recreation, culture and wellbeing services; and early childhood services.

Current records do not reveal what services are being funded where

FINDING 3.1

Record-keeping about what types of services are being funded and delivered is not standardised between and within departments. This is a barrier to tracking what services are being provided across all government departments.

FINDING 2.2

It is not possible to accurately track where money is being spent on children and family services in the Northern Territory. This is because:

- the location where money is being spent is not reported in a manner that is consistent between different government departments, with more than 15 different types of geographical units used to report location data
- in some cases, record-keeping about location is not sufficiently granular to allow expenditure items to be linked to specific towns or communities.

This is a barrier to understanding where money is being spent and to governments making informed and coordinated funding decisions for individual towns or communities.

Shared responsibilities are challenging but inevitable

FINDING 4.1

In each area of children and family services, the roles and responsibilities of the Commonwealth and NT Governments are unclear and often overlap. This makes it imperative for them to work cooperatively in a coordinated way to meet shared outcomes.

Clearer roles and responsibilities would be desirable in the long term, but should not be pursued at the expense of other reforms or a more coordinated funding process.

FINDING 4.2

In designing and funding services for children and families in the Northern Territory, there is limited coordination between levels of government (the Commonwealth and NT Governments) and within each level of government (for example, the National Indigenous Australians Agency and the Department of Social Services within the Commonwealth Government).

In terms of service delivery, service providers are often left to informally coordinate on the ground, to try to avoid duplication and better meet the needs of the community. Although numerous initiatives exist to coordinate services in specific places, these tend to be partial and fragmented, and at times overlapping.

Siloed decisions are leading to poorly targeted spending

FINDING 5.1

The Commonwealth and NT Governments are making funding decisions about children and family services in ways that are not consistent with either the place-based or public health approaches to preventing harm to children.

Although there are pockets of good practice and improved processes emerging in some areas, it remains the case that:

- the needs of children and families in each community are not assessed in a systematic or rigorous way, and there is no holistic consideration of which services would best meet local needs and priorities
- community input into service selection and design is often belated or superficial
- there is sparse evidence for 'what works' in the NT context (and especially in remote Aboriginal communities).

The end result of these processes is that the system of children and family services in the Northern Territory is fragmented, with government expenditure poorly targeted and failing to best address the needs of children and families.

A new way to coordinate funding underpinned by regional plans

RECOMMENDATION 6.1 REGIONAL PLANS AND COORDINATED FUNDING DECISIONS

To deliver on their shared responsibility for funding children and family services in the Northern Territory, the Commonwealth and NT Governments need a new way of working together. This should include both governments genuinely engaging with NT communities, coming to a shared understanding of the issues affecting children and families, and jointly committing to solutions, with collective ownership and accountability for outcomes.

To put this new way of working into practice, the Commonwealth and NT Governments should establish a formal process to coordinate funding.

1. Both governments should collate regional- and community-level data on outcomes (risk and protective factors), expenditure and the availability of children and family services (which would be assembled by the Reform Management Office in the NT Government, as per recommendation 7.1)
2. The regional representatives of both governments should share the data with communities, and in collaboration with communities develop a regional plan that:
 - outlines the strengths, needs and priority issues of children and families in each of the communities in the region
 - gives communities a voice about which children and family services they would like to retain, change or replace.
3. Drawing on the regional plans, the Children and Families Tripartite Forum should provide advice to both governments about funding arrangements for children and family services across the Northern Territory, including advice about funds pooling for particular locations or services.
4. The relevant Ministers of both governments should consider the advice of the Children and Families Tripartite Forum and then agree on which children and family services each is going to fund and in which locations, and publish details of the agreed funding.

This process should be formalised in an intergovernmental agreement (recommendation 10.1). It should be repeated annually at first, as existing short-term contracts end, new data becomes available and local decision making becomes established in more places. Over time, the process should be repeated when there are significant changes in government or community priorities, or when new funding becomes available.

RECOMMENDATION 6.2 REGIONAL NETWORKS THAT SUPPORT COORDINATION

The Commonwealth and NT Governments should:

- ensure that staff in their regional networks have the skills, capacity and authority to work with communities to develop regional plans and to undertake relational contracting (as per recommendation 8.3).
- work to enhance coordination within and between government agencies at the regional level (including by adding relationship building in performance agreements and publishing staff contact details).

Governments should make their regional managers jointly responsible for working with communities to develop regional plans, and ensure that regional managers have the authority to provide regional plans directly to the Children and Families Tripartite Forum.

RECOMMENDATION 6.3 AN EXPANDED ROLE FOR THE TRIPARTITE FORUM

The Commonwealth and NT Governments should expand the terms of reference of the Children and Families Tripartite Forum to include providing advice on funding arrangements for children and family services across the Northern Territory, including advice about funds pooling for particular locations or services (as per recommendation 6.1).

The Commonwealth and NT Governments should ensure that the Tripartite Forum:

- is adequately resourced by both governments in line with its expanded role
- has arrangements in place for effectively managing conflicts of interest.

Better data on children and family services and outcomes

RECOMMENDATION 7.1 BETTER USE OF DATA FOR CHILDREN AND FAMILIES

The Commonwealth and NT Governments should collate regional- and community-level data on outcomes (risk and protective factors) and on expenditure and the availability of children and family services. They should share this data with communities (as per recommendation 6.1).

To achieve this, the Reform Management Office (RMO) in the NT Government should:

- assemble data from both public and internal government sources (provided by relevant government agencies) to create snapshots for each community that:
 - reflect the best available information across the six domains of child wellbeing
 - are understandable and meaningful for community members and local service providers
 - include data items requested by the community, wherever possible.
- provide the regional managers of both governments with the community snapshots for the communities in their region.

Regional managers should use the local knowledge held by each community in the region as evidence about how well children and families are faring, and to validate the data in each community snapshot. This information should inform the development of regional plans for children and families (as per recommendation 6.1).

RECOMMENDATION 7.2 HARMONISE RECORD-KEEPING PRACTICES

The Commonwealth and NT Governments should work together to:

- agree on a common unit for reporting location data at a level of granularity that reflects service catchment areas, based on the ABS Statistical Area Level 2 (SA2) structure (and amalgamating or disaggregating SA2s as necessary)
- develop a common method for describing and categorising children and family services.

This method should be adopted by all relevant government departments for the purpose of keeping records and reporting about government expenditures, as they relate to services for children and families. The improved expenditure and services data should be used by the NT Government as a basis for putting together a single and cohesive service list that covers all of the Northern Territory (recommendation 7.3).

RECOMMENDATION 7.3 A PUBLIC CHILDREN AND FAMILY SERVICE LIST

The NT Government should compile and maintain a single and cohesive service list that covers, at a minimum, children and family services funded by the Commonwealth and NT Governments in the Northern Territory. The service list should make use of and be linked to government data about expenditures.

The service list should have a public-facing interface that allows members of the public and service providers to easily identify the services that are available in each community.

At a minimum, the service list should contain information about:

- the type(s) of service(s) provided
- who is eligible to receive the service
- the service provider (name and contact details)
- when the service is available (days and hours of operation), including whether the service is provided on a permanent or visiting basis
- where the service can be accessed
- other requirements for attending (costs of attending, whether an appointment or booking is required).

Over time the service list could be expanded to include services funded through other means such as royalties and philanthropic sources.

Longer term, more collaborative contracting with service providers

FINDING 8.1

Current grant funding approaches used for children and family services in the Northern Territory do not facilitate a focus on long-term outcomes and create funding uncertainty for service providers.

Grant funding for children and family services is characterised by:

- short-term funding periods
- insufficient timeframes and information about funding opportunities and renewal or cessation of grants
- insufficient funding for capital expenses required for service delivery, for capacity building, and for monitoring and evaluation.

The result is gaps in staffing and capital for service providers, and substantial time devoted to preparing grant applications. This adversely affects the quality of services, particularly where funding gaps mean providers have to cobble together funding from various sources and manage multiple grants.

FINDING 8.2

Competitive funding processes can provide benefits, in terms of lower costs and improved service quality, but they are not suited to all circumstances. Where there is an inadequate number of potential providers (markets are ‘thin’) or the economic costs and benefits of a service are difficult to quantify, competitive processes may:

- disadvantage small, community-based and Aboriginal organisations that are trusted by, and may be better able to meet the needs of, communities
- create disincentives for collaboration between providers who are competing for a limited funding pool and the same service user group
- lead to a disproportionate focus on price over quality, and take insufficient account of the longer-term benefits of community-based service providers (such as cultural competence and trust of communities).

RECOMMENDATION 8.1 **INCREASING CERTAINTY IN THE CONTRACTING PROCESS**

To reduce uncertainty in the funding process for children and family services, the Commonwealth and NT Governments should:

- publish a rolling schedule of upcoming funding opportunities over (at least) the next twelve months
- allow sufficient time (a default of three months) for providers to prepare considered responses, including the development of integrated bids across related services
- notify providers of the outcome of funding processes in a timely manner, well in advance of the end of the existing contract.

To improve certainty for service providers, default contract lengths for children and family services that are provided on an ongoing basis should be set at a minimum of seven years. To manage the risks associated with longer contract terms:

- contracts should include clauses that allow early termination of the contract where there is ongoing failure to deliver an adequate standard of service
- where appropriate, contract managers should adopt a relational contracting approach (recommendation 8.3).

Funding should reflect the full costs of providing children and family services in the Northern Territory, taking into account the higher costs of delivering services in remote areas, capital investments needed to support service delivery, and the cost of monitoring and reporting on service delivery outcomes.

Where service delivery requires access to infrastructure that is not available (such as staff housing) agencies need to look beyond the immediate grant funding decision, and consider how best to coordinate their expenditures on capital assets with their grant programs for services.

RECOMMENDATION 8.2 **SUPPORT CULTURALLY COMPETENT SERVICE DELIVERY**

When commissioning children and family services primarily targeting Aboriginal and Torres Strait Islander people, the Commonwealth and NT Governments should give preference to service providers that have the capacity to deliver culturally appropriate services.

- Funding decisions should take into account the characteristics and capabilities of providers (such as their cultural competence and connection to community) and their ability to deliver improved outcomes. Provider selection decisions should be made in collaboration with affected communities, to ensure those decisions reflect the community's needs and priorities. To support this, grant rules and guidelines should be adapted where necessary.
- Where an Aboriginal Community Controlled Organisation (ACCO) is expected to deliver better outcomes for children and families over the longer term, but lacks the capacity to effectively deliver services, the Commonwealth and NT Governments should support capacity building of that ACCO. This could be achieved through direct funding for capacity building activities or through supported partnerships with non-ACCO service providers.
- Where the intended outcome of a partnership is the transfer of control of service delivery to an ACCO, the funding agreement should be designed to support the transition process. In these instances, the funding contract should outline the responsibilities of the partners, and a succession plan and clear milestones over a defined timeframe, with appropriate resourcing for building the capacity of the ACCO to deliver services.

RECOMMENDATION 8.3 **A RELATIONAL APPROACH TO CONTRACTING**

The Commonwealth and NT Governments should adopt a relational approach to contract management, in which governments and service providers, in consultation with communities, work collaboratively towards shared outcomes. A relational contracting approach requires funding agencies to:

- engage in regular and collaborative discussions and site visits with service providers to assess progress of the service against user needs (after consulting users of the service), with a view to seeking opportunities to improve service delivery
- ensure that regional network staff have the skills and capacity to identify (in consultation with service providers and the community) emerging issues relating to service delivery and devise potential solutions
- write funding contracts that are sufficiently flexible, so that minor changes or adjustments to service delivery can be made without the need for variations to the contract, and give regional managers the authority to make decisions about service delivery in line with these more flexible contracts.

Evaluation to build the evidence base and drive continuous improvement in services

FINDING 9.1

Performance monitoring and reporting on children and family services occurs at many levels, but the quality and use of performance information is inconsistent. In general, performance monitoring of children and family services is:

- compliance focused, mainly reporting on service outputs and tertiary level activities, such as delivery of statutory child protection services
- undertaken at a national, regional or agency level.

The current approach does not support continuous improvement in programs and services or enable monitoring of outcomes for children and families at the community level. Better data on outcomes for children and families at the community level (recommendation 7.1) is needed as a first step in identifying the impact of the service *system* on outcomes.

FINDING 9.2

Evaluation of children and family programs in the Northern Territory is challenging.

- Formal quantitative program evaluations that seek to measure the impact of programs on outcomes (such as randomised controlled trials) will often not be informative for children and family services in the Northern Territory. This is because there are often multiple programs simultaneously directed at improving outcomes, rapid changes that can occur in the programs being delivered, and many other factors that influence outcomes.
- Where formal program evaluations are undertaken, the results should be interpreted carefully — precise impacts cannot be estimated and findings may not be transferable or replicable in other communities.
- A more practical and effective use of evaluations of children and family programs is informal evaluation that facilitates learning by doing and continuous improvement in services over time. An informal evaluation approach (that employs monitoring and assessment of basic service metrics, including through the use of user surveys) embedded into the design and delivery of services from the start, is likely to be suited to many types of children and family services in the Northern Territory.

RECOMMENDATION 9.1 BUILDING THE EVIDENCE BASE THROUGH EVALUATION

The Commonwealth and NT Governments should embed requirements (and appropriate resourcing) for monitoring and evaluation into contracts for children and family services where:

- the service lacks an existing, relevant and context-specific evidence base
- the service is expected to be adapted over time (for example, because the exact inputs and outputs of the program may not be known in advance).

At a minimum, funding should support the use of an evaluative approach that facilitates learning by doing and continuous improvement in services (finding 9.2). This should include funding to run periodic surveys that seek to understand user experience and community views on the functioning of the service and how it could be improved. This is an important complement to the collection and reporting of data on outcomes for children and families at the community level (recommendation 7.1).

Governments should prioritise and fund more formal, rigorous evaluations for programs or services that:

- involve a high level of expenditure and risk, or that cover a large number of children and families
- have been introduced in communities where there have not been significant changes in policies or other programs (to enable reasonable attribution of the impact of the program on outcomes).

An intergovernmental agreement to facilitate better coordination

RECOMMENDATION 10.1 AN AGREEMENT ON COORDINATED FUNDING

The Commonwealth and NT Governments should negotiate an agreement for a coordinated funding framework for services relating to children and families in the Northern Territory.

This agreement should include:

- the mechanism by which governments will agree on how they will coordinate funding (including any pooling of funds) in line with the needs and priorities of children and families, as outlined in regional plans (as per recommendation 6.1)
- the institutional arrangements for enacting this coordination, including the roles of the Children and Families Tripartite Forum and regional network staff (as per recommendations 6.1, 6.2 and 6.3)
- a commitment to transition to longer-term contracting and a relational approach to engaging with service providers (as per recommendations 8.1 and 8.3)
- criteria to guide the selection of service providers and partnerships between Aboriginal and non-Aboriginal providers (as per recommendation 8.2)

Time-dependent commitments — such as detailed funding decisions — made in line with the process outlined in the agreement should be included as schedules to the agreement.

The agreement should be developed in consultation with the Children and Families Tripartite Forum and should be agreed by the Commonwealth and NT Governments by the end of 2021.