

# Executive Summary

The continuing process of outsourcing human service delivery to non-government organisations is now an established trend internationally, as well as in NSW and is likely to accelerate into the future. Indeed, in the period from 2000 to 2012, the NSW Department of Family and Community Services increased its funding to the non-government sector by 150%, from \$800M to \$2.3B.

In this context, the Legislative Assembly Committee on Community Services resolved in February 2012 to inquire into and report on the outsourcing of housing, disability and home care service delivery from the Government to the non-government sector in NSW, with a focus on its current status and with a view to providing guidance for its future evolution.

## INQUIRY OUTCOMES

Overall, the Committee has found that the outsourcing of human service delivery to non-government organisations (NGOs) has resulted in a number of benefits and that NGOs with strong links to the community are ideally placed to achieve locally-responsive human service delivery.

However, the Committee also identified a range of issues that need addressing to ensure optimal service delivery into the future, ranging across delivery mechanisms and models, service integration, workforce issues, rural and remote disadvantage, philanthropy and technological innovation. These interrelated issues are expanded on throughout the Committee's Report.

This report should also be read in conjunction with the Committee's Interim Report, which canvassed broader reforms related to contract standardisation and data accessibility. The Interim Report, tabled in Parliament in August 2013, proposed an improved model of service delivery and more integrated and accessible data collection in advance of the more detailed findings contained in this, the Committee's final Report.

## History of Outsourcing

Chapter Two charts the long history of outsourcing of service delivery by governments in Australia, and contains a comparative analysis of the experience in other jurisdictions. It also considers reviews already conducted in NSW that touch on this issue. Where applicable, the Committee has taken account of developments and lessons learned across jurisdictions, as well as the findings of previous NSW reviews, in formulating its recommendations.

The Chapter examines the current status of outsourced service delivery in NSW, noting the significant benefits of this approach as well as the challenges it presents. It also documents the dynamic and complex policy environment in which Governments and NGOs work to deliver human services, with a number of reforms taking place at the national and State levels. A major example is the recent introduction of the National Disability Insurance Scheme, which will have significant consequences for disability service providers.

The Committee has found that overall, outsourcing community service delivery to NGOs with strong community links is more likely to achieve locally responsive solutions than centrally-designed and administered Government services. Therefore, the Committee endorses the increasing trend of outsourced services delivery, while noting identified challenges to achieve the full benefits of this approach.

### **Service Delivery Mechanisms and Models**

Chapter Three of the Report focusses on the importance of service quality factors in delivering increased outsourcing. The factors to be considered include: the need for better information and data sharing across service providers and funders; appropriate levels of auditing and accountability while avoiding the unnecessary red tape diverting service providers from their primary service delivery responsibilities; improved planning and coordination across the sector; and the encouragement of genuine partnerships between funders and providers.

The Chapter expands on the Interim Report's finding that consolidated, accessible data is essential to achieve service integration and quality outcomes for clients. The Interim Report recommended the establishment of a centralised database to map funding to all non-government human service providers across the State. The Committee builds on this by recommending that this database also contains all complaints data for funded services. Such information is essential to identify gaps in service provision and to effectively manage risks.

To further encourage accountability and probity with increased outsourcing, the Committee recommends that the NSW Auditor-General be given legislative authority to examine and audit the accounts of NGOs in receipt of Government funding. In addition, it makes recommendations to ease the reporting burden on service providers and to ensure funders do not impose undue restrictions on their general operations. In the Committee's view, these recommendations will increase the capacity of organisations to deliver quality services and encourage innovation.

Finally, in recognition of the increasingly important role of the non-government sector in human service delivery, it is important to formalise the partnership that already exists between funding bodies and service providers in NSW, and to better facilitate consultation in service planning and delivery. Therefore, the Committee recommends the establishment of a NSW Office for the NGO human services sector, along the lines of similar offices already existing in comparable jurisdictions.

### **Service Integration and Geographic Location**

Chapter Four of the Report explores the particular circumstances and challenges encountered by people living in regional, rural and remote areas of NSW in seeking quality human services. The Chapter contains a number of recommendations that aim to ensure greater equity of service provision across NSW.

Throughout the Inquiry, evidence has reinforced the fact that services in smaller rural and remote communities of NSW tend to be sporadic or non-existent. This has prompted the Committee to recommend that the Government should continue to provide services directly where market gaps exist due to geography or for other reasons such as the complexity of particular clients' needs.

Gaps in service provision are compounded by the fact that it costs more to establish and operate a service in many non-metropolitan areas of NSW due to factors such as lack of infrastructure and because services have to operate across a larger geographic area, adding significantly to travel costs. Therefore, the Committee recommends that the Government investigates the true cost of providing human services in these areas, with a view to adjusting funding allocations if necessary.

Another significant recommendation contained in Chapter Four relates to the length of funding agreements for service delivery in regional, rural and remote communities. Difficulties in attracting staff, in addition to a reluctance to make a longer term commitment to a small, isolated community mean that community buy-in and partnerships are essential to make a real difference to clients' lives in these areas. Owing to these unique factors, the Committee recommends the Government gives special consideration to the length of contracts for the provision of human services in regional, rural and remote areas to ensure they reflect the length of time required to achieve agreed outcomes.

Finally, the Committee recommends the Government encourages consortia and bundling of services where possible in more isolated communities to help overcome concerns regarding economies of scale and to better integrate and coordinate responses to complex client needs.

The Chapter concludes by acknowledging the particular importance of quality service delivery to Aboriginal people, especially given their overrepresentation in the Family and Community Services system. While there is an overlap of issues concerning mainstream and Aboriginal service delivery, the latter presents an extra layer of complexity. The Committee is confident that its recommendations, if implemented, will have positive effects for all human service clients in NSW, including Aboriginal people, especially when combined with the important work the Government is already doing in the Aboriginal Affairs and other portfolios to specifically benefit Aboriginal people.

### **Workforce Issues**

Chapter Five of the Report explores the nature of the community services sector workforce, employment trends, award provisions, other industry regulatory factors, and the role of volunteers. It acknowledges that a trained and competent workforce is essential to ensure quality service delivery to clients across NSW.

Workers in the community services sector are employed under the Social, Community, Homecare and Disability Services Industry Award 2010, introduced in January 2010 to consolidate the 40 different awards that previously applied to workers in the industry. From July 2012, all workers were required to be classified under this new Award and paid accordingly.

In addition, in June 2012, workers in the community services sector won a significant pay increase following a successful pay equity case launched by the Australian Services Union, before Fair Work Australia. Fair Work Australia decided sector salaries should rise by between 23 and 45 per cent. Several submissions to the Inquiry emphasised that the pay rises must be managed and funded appropriately by Government to avoid loss of jobs and/or service quality.

The Committee understands that State and Territory Governments across Australia are working with the Commonwealth on these funding arrangements and recommends the NSW

Government continues to work collaboratively with the Commonwealth Government to finalise the funding arrangements as a matter of urgency.

The Committee also acknowledges the vital contribution of volunteer workers to the human services sector in NSW and recommends that the Government includes a volunteer training component in the funding agreements it makes with NGOs for the provision of homecare, disability and housing services. It also recommends that volunteer training form part of the quality assurance mechanisms with which Government-funded NGOs are required to comply.

### **Philanthropic Funding**

Chapter Six of the Report examines the role of philanthropy in the delivery of human services across NSW. While there has always been private investment in the delivery of social services, the nature of this contribution is evolving into one of partnership with Government to build sustainable services for the benefit of local communities.

The two main types of philanthropy identified in this area are charitable donations made to organisations, encouraged through taxation incentives, and the emerging use of social impact bonds. Social impact bonds involve investors providing capital to a bond-issuing organisation which has a contract with Government to deliver specific social services. The contract specifies benchmarks and outcomes that need to be achieved and the resultant cost savings flowing on to investors, providing a return on their initial monetary outlay.

The Committee supports the potential for greater utilisation of innovative philanthropic mechanisms to enhance service capacity across NSW and welcomes the opportunity for further partnerships to be struck between Government and the private sector. The Committee recommends that the NSW Government promotes the potential of social investment bonds in the delivery of home care, disability and housing services as part of a general strategy to encourage funding diversity and increased collaboration with the private sector.

### **Technology Innovation**

In the final Chapter of the Report, the Committee explores the benefits of integrated technological systems for the outsourced delivery of housing, disability and homecare services in NSW. During the course of the Inquiry the Committee found that technology can greatly improve client interactions with service providers; contribute to more efficient and effective service provision; improve compliance and transparency across the sector; and assist with coordination and information sharing between Government and across services.

Indeed, in the view of the Committee, the future evolution of outsourcing will be dependent on access to sophisticated computer software programs and applications to: track service delivery and client satisfaction; directly communicate with funding bodies; meet accountability and compliance requirements; and provide general information to other service providers and clients about available services.

Given the importance of technology, the Committee recommends that the Government continues to develop interactive technology systems in the human services sector in consultation with non-government service providers; and that the Government develops a suite of software packages for use by non-government service providers that integrates

monitoring, reporting, compliance, information-sharing, and service coordination and cooperation.

**CONCLUSION**

The Inquiry has provided a timely opportunity to take stock of the current status of outsourced human service delivery in NSW, and to chart an appropriate course for the future. It is a pivotal time for human service agencies across NSW and if challenges can be met, significant opportunities can be seized. The Committee has formulated its recommendations with this in mind.