

**Submission**

**No 65**

# Outsourcing Community Service Delivery

**Organisation:** Combined Pensioners and Superannuants Association (CPSA)

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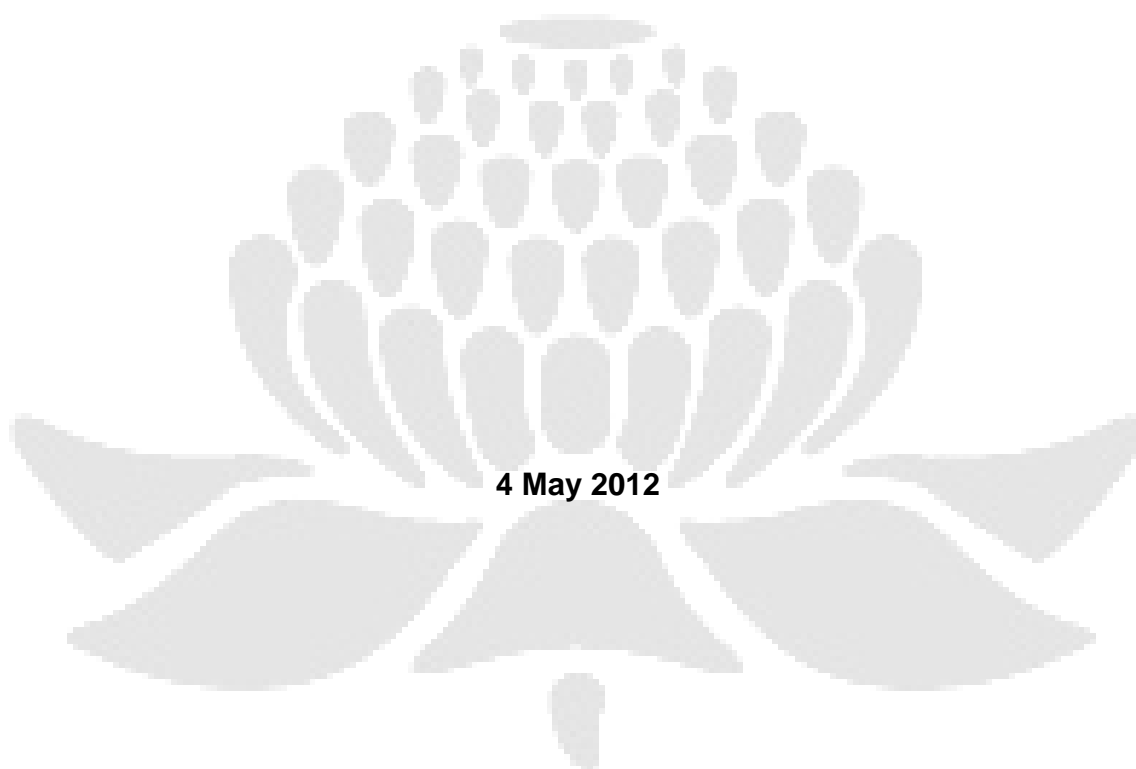
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# Combined Pensioners & Superannuants Association

OF NEW SOUTH WALES INC



## **Submission to the Outsourcing Community Service Delivery (Inquiry) (Legislative Assembly Committee on Community Services)**



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## About CPSA

Combined Pensioners and Superannuants Association of NSW Inc (CPSA) was founded in 1931 in response to pension cuts. CPSA is a non-profit, non-party-political membership association serving the interests of pensioners of all ages, superannuants and low-income retirees.

CPSA has 140 Branches and affiliated organisations with a combined membership of over 30,000 throughout NSW. CPSA serves the interests of its membership and broader constituency at the local, state and federal levels.

## Submission

### **a) State Government processes, outcomes and impacts of transferring housing, disability and home care services from Government to non-Government agencies**

All services should place the needs of service users first. This is particularly important for the services that are the subject of this inquiry because they deal with people who, by definition, are vulnerable in some way. These service users often lack the capacity for recourse if they are unsatisfied with the service provided or the service provider is negligent.

### ***Outsourcing***

Outsourcing human services is generally seen to produce cost efficiencies, broaden choices for service users, and reduce the size of government. CPSA submits that these perceived benefits of outsourcing do not always occur. The non-government sector is not always more efficient than the government sector. Choice is not always broadened for all service users, particularly the disadvantaged, and the administration of government funds to non-government service providers can be time consuming and costly (notably, the administration of competitive tendering).

Outsourced services must have regulatory checks in place, including accessible complaints avenues. Service providers must be held accountable for services provided, including the quality of those services, and information about service quality should be transparent. CPSA considers these points vital for services provided by the non-government sector.

A distinction between the community group providers, not-for-profit providers and for-profit providers must be made. CPSA supports the outsourcing of services to community groups because this sector, at present, is subject to strict accountability protocols, including the acquittal of government funds. Likewise, not-for-profit groups, which are not subject to the same accountability protocols as community groups, should be subject to the same protocols. However, CPSA is not supportive of outsourcing essential services to the for-profit sector, because this is not in the best interests of people using the services.

### ***The for-profit sector***

For-profit providers have a legal responsibility to work in the interests of their shareholders, which inevitably places service users second in line of priorities. It is inefficient to grant for-profit providers with contracts if part of that contract is going toward profits. There is no guarantee that for-profit providers will expand their services (many for-profit providers in the residential aged care sector argue that they cannot expand residential aged care because of inadequate government subsidies and user fees), which weakens the argument that such providers will innovate and invest in the sector. It would appear to be more efficient for governments to provide grants on the basis of profit being invested back into the service provided, as not-for-profits are legally bound to do.

## ***Accountability***

If services are going to the for-profit sector, the question must be asked: who benefits? As witnessed in the residential aged care sector, poor quality care and failures in providing staff entitlements occur more frequently in homes operated by for-profit providers than by not-for-profit providers. The recent exposé of Commonwealth-funded aged care providers rorting the Aged Care Funding Instrument (ACFI) to the tune of \$1.9 billion, almost one fifth of the federal government's aged care budget, illustrates the problems associated with providers operating to make a profit and without funding acquittals. Weak or non-existent accountability measures lead to gaming and exploitation of limited government resources. The collapse of ABC Learning following its reckless profit seeking and its subsequent cost to government and families, illustrates starkly what can happen if providers are not held to account regarding the public subsidies they receive.

There are many non-government organisations well placed or best placed to provide the services they do and these services should be assured recurrent funding, providing they meet adequate regulatory and accountability measures ensuring the service is delivered in the best interests of the service user. However, there are other examples where service providers have failed to adequately care for those using the service, notably in the disability services sector. Again, this underpins the need for strong checks and balances for outsourced services that are followed up on by government or an independent body like the NSW Ombudsman.

## ***Disability services***

CPSA is not best placed to comment on the impact of transferring disability services to the non-government sector, and asks that the inquiry refer to contributions from the disability peaks and the Council of Social Service of NSW (NCOSS).

## ***Community & public housing***

The community housing sector should be encouraged to grow because of the huge demand for affordable housing, which is only set to increase. One of the advantages of the community housing sector is that it can borrow money to invest in building new housing stock. Community housing therefore should be supported by the NSW Government in efforts to expand affordable housing.

Experience overseas suggests that for community housing to work well, policies governing the sector should include:

- a strong regulatory environment, with clear targets,
- dedicated funding to providers so that they can meet regulatory requirements and targets,
- a clear focus on tenants,
- a balanced mix of high- and low-needs tenants,
- good governance,
- in-built evaluations, and

- complimentary land pricing and planning policies.

However, the growth of the community housing sector should not be to the detriment of public housing. Public housing is a vital part of government service provision. There are services that public housing can provide tenants which community housing cannot, such as rapid relocation for tenants escaping domestic violence or abuse of some kind. The same applies for people who may acquire a disability, notably people ageing, and who experience a decline in physical capabilities. Moving these tenants to more appropriate housing is easier within the public housing system because of its capacity and centralised data set. The community housing sector cannot facilitate (urgent) relocations because of the multitude of community housing providers, and their small capacity (most community housing providers have fewer than 50 dwellings, with only five per cent of providers holding 200 or more).

The NSW Government's policy of transferring Housing NSW public housing stock to the community housing sector assumes the sector is well equipped to handle an increase in capacity and workload. Experience in the UK suggests that transferring state-owned housing to community housing organisations places strain on the sector, particularly if no additional funding is provided. This reduces the sector's capacity to tailor services to meet the needs of high-risk tenants, such as people who have experienced long-term homelessness. In addition, Housing NSW is well placed to develop housing for certain priority groups, such as older people and people with disability, as part of the NSW Government's broader strategy of meeting the housing needs of these populations.

CPSA does not support transfer of public housing stock to the community housing sector. Public housing stock should remain in state hands, and funding should be made available to increase dwelling numbers and maintenance on existing stock. The community housing sector should be supported by both state and federal funding to increase its capacity.

**b) The development of appropriate models to monitor and regulate service providers to ensure probity, accountability and funding mechanisms to provide quality assurance for clients**

***Regulatory reform***

CPSA calls for waiting lists to be made mandatory for HACC service providers. Currently services must justify refusal of services due to resource constraints as per HACC service guidelines, using waiting list data if available. CPSA considers the keeping of waiting lists and their publication important in gauging levels of unmet demand for HACC services. This would guide allocation policies and funding to target areas of unmet demand.

It stands to reason that any regulatory reforms (such as mandatory police checks, development and reporting of waiting lists, etc.) must also attract adequate funding from government to meet these costs. Regulatory reform should not detract from core service funding, particularly because current funding levels are insufficient to meet demand.

## ***Quality improvement***

CPSA notes that Ageing, Disability & Home Care (ADHC) supports a quality check system for home care services based on continuous improvement. CPSA understands the reasoning behind this model, but cautions against its use. As seen in the continuous improvement standards for residential aged care (for example) continuous improvement does not necessarily lead to better quality in service delivery. Rather, services develop often arbitrary improvements to meet the continuous improvement standard, such as putting magazines in living areas, while other more pressing areas of care that require improvement (for example, improving pain management or increasing staff for toileting and bathing) are not necessarily addressed.

Unless there is an incentive to strive for better care, such as linking funding to quality, a minimum standard of care will satisfy a quality check (as happens in Commonwealth-funded residential aged care). Continuous improvement is generally not strong enough to drive up quality that produces real care improvements for service users.

In HACC and social housing, competition between service providers is not strong, and thus quality improvements do not necessarily arise out of providers competing for users/tenants. The constrained nature of these services means that service users cannot easily change or switch if they are unsatisfied.

In HACC, many service users feel that if they reject an offer or give up a service, they will 'fall outside the system' and have to start at the beginning again. CPSA has encountered much anecdotal evidence that HACC service users have their hours cut, without warning. In this environment, service users are not in a position to vote with their feet for fear of service cuts. Therefore, services do not need to compete for users and have limited incentives to improve quality. CPSA calls for guarantees to be made to service users that they will not lose care hours/services to which they are entitled.

There is also the problem of a lack of information about HACC service quality, largely because there is no standardised system detailing the quality of services provided, as exists in the residential aged care system. A star ratings scheme would greatly help service users decide on which provider to access for services. However, until a strong system of quality monitoring and service information collection is developed, such a scheme will not be feasible.

### **c) The development of appropriate levels of integration among service providers in rural and regional areas to ensure adequate levels of supply and delivery of services**

CPSA supports integration of services in rural and regional areas because of efficiency gains and simplification of service access. However, CPSA stresses the importance of privacy for service users. Services delivered in rural and regional areas are plagued by privacy concerns because of the small communities in which providers and users operate and live. Integration of services risks reducing the little privacy afforded to service users in these areas. Therefore, services should only share information on a need-to-know basis to protect the privacy of service users.

#### **d) Capability frameworks ensuring that community agencies are not overly burdened by regulatory constraints**

In CPSA's view, regulation in this sector cannot be avoided because of the people it services. CPSA recognises difficulties faced by the non-government sector in managing regulatory requirements, particularly small, not-for-profit organisations. However, this does not mandate reduction in regulation. Rather the non-government sector should be supported with adequate funding and resources to ensure that regulatory requirements can be met.

#### **e) Enhanced capacity building and social integration in the delivery of services by local providers**

A strong, adequately funded community sector allows innovation to flourish. The community sector is well versed in service provision to vulnerable people and is able to draw from that experience to develop the sector and build capacity.

As discussed above, community housing should be supported because of its capacity to borrow and invest in new housing. In addition, social integration is facilitated through ensuring services are tailored to the needs of the community being targeted. (Please see comments below regarding appropriate staffing in community services).

#### **f) Future employment trends, expectations and pay equity for women employed in the non-Government sector**

Any wage increases for people working in the human service delivery sector (not just women), including those working in the non-government sector, must be fully funded by government grants and subsidies. The NSW Government must meet its share of increased funding for these workers, so that services are not rationed.

Competitive wages are critical in this sector, so as to attract quality staff, who have proper qualifications and experience. HACC services often must rely on inadequately trained and inexperienced staff, who are not in a position to provide quality care. A similar problem occurs in some advocacy services where there may be a high turnover of staff, or staff do not have the time or resources to become experts in their field.

The human services sector obviously plays a critical role in assisting vulnerable members of the community, and therefore, high quality staff must be attracted to, and retained in, the sector. This will only be achieved through competitive wages with comparable sectors, and adequate funding to employ sufficient numbers of staff and ensure they receive the training they need.

Other challenges facing the sector include attracting and retaining staff from culturally and linguistically diverse and Aboriginal and Torres Strait Islander backgrounds. This is particularly important in HACC services. CPSA understands that many care services are delivered without interpreters, which infringes on the rights of the service user to communicate their needs with providers of care. Staff who can communicate with service users without needing an interpreter



improves care delivery and upholds the rights of the service user. This also avoids the expense of involving an interpreter.

Staff entitlements, such as superannuation, leave, and sick pay must be awarded to staff. When services are outsourced, there is a risk that staff will lose entitlements due to negligence, malpractice or companies going into administration. There have been a number of well-publicised cases in the aged care sector where staff have not been paid their entitlements, notably superannuation, with few being able to obtain what they are owed. For a workforce that is broadly acknowledged as being underpaid, this presents a big risk to workers and diminishes policies designed to attract and retain quality staff. This problem underscores the need for good governance practices to be in place.

HACC workers in the non-government sector face difficult working conditions, particularly those working on a casual basis. CPSA understands that these workers must have access to a car, and are only paid for the care hours they provide and not transport time between different homes. These conditions favour service providers rather than employees. Improving working conditions for HACC workers (moving them from casual employment to part-time employment and paying staff for total hours at work, including transport time, or increasing casual employment pay rates) will help to attract and retain a well-qualified workforce.

#### **g) Incentives for private philanthropy in the funding of community services**

Private philanthropy should be encouraged to fund research and pilot projects. CPSA maintains that HACC, disability and housing services should be funded by government, and services should not have to rely on uncertain funding from philanthropic sources. Private philanthropy obviously assists certain services, however, it is not a secure and reliable funding source. Reliance on philanthropy to fund core areas of work places pressure on service providers and restricts their ability to invest in new projects because of the risk that funding will run out.