

**Submission**

**No 71**

## Outsourcing Community Service Delivery

**Organisation:** Association of Children's Welfare Agencies

**Date Received:** 4/05/2012



The Committee Manager  
Committee on Community Services  
Parliament House  
Macquarie St  
Sydney NSW 2000

Dear Committee Chair

**Re: Inquiry into Outsourcing Community Service Delivery**

The Association of Children's Welfare Agencies (ACWA) is the NSW peak body representing non-government agencies providing direct services to vulnerable children and young people, and their families.

ACWA welcomes the opportunity to provide comments in relation to the Inquiry into Outsourcing Community Service Delivery.

ACWA supports the transfer of community service delivery from the Government to the non-Government sector. Based on our experience and understanding of the sector (particularly in relation to Children's Welfare and Out-of-Home Care), we are of the position that:

- there is a conflict of interest for the Government to act as the funder, regulator and be a service provider;
- there are advantages in non-Government service delivery;
- there is a need for independent oversight and monitoring, that is separate from the Government funder;
- funding and reporting requirements need to be streamlined across the different Government funders to reduce administrative burden;
- there is breadth of services delivered by the non-Government sector that supports an integrated service system;
- the Government supports non-Government sector workforce development, including the funding of the outcome of the Equal Pay Case;
- the Government and non-Government sector work in partnership.

In addition, ACWA recognises that there are key risks that need to be mitigated when devolving and outsourcing community service delivery to the non-Government sector. These are discussed in the final section of the submission.

Yours sincerely

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The Association of Children's Welfare Agencies (ACWA) is a membership-based peak organisation in NSW representing non-government agencies providing direct services to children and young people, and their families. ACWA has a history of over 50 years in social advocacy.

ACWA is the primary peak representing the interests of non-Government providers of Out-of-Home Care (OOHC) and the children, young people and families they support. While this is our primary area of representation, ACWA members are also engaged in the provision of a broad range of services including: housing/homelessness services, disability services, and home care services.

Many of our members provide many types of services, funded by the Department of Family and Community Services (FACS), other NSW Government Departments and in some cases the Federal Government.

In preparing this submission ACWA has drawn on the knowledge and experience of staff, as well as reviewed our previous submissions and policy positions in relation to matters covered by the Inquiry. ACWA members were also surveyed in preparation for this submission.

The submission is primarily based on ACWA's experience of devolution and outsourcing in the OOHC sector.

#### **ACWA supports the transfer of community service delivery from the Government to non-Government sector**

ACWA has long supported that all (or at least the vast majority) of direct services be provided by the non-Government sector. In the OOHC sector, Government-commissioned reports, reviews and inquiries support the view that the non-Government sector is best placed to deliver these direct services.

In 2008, the Report of the Special Commission of Inquiry into Child Protection Services in NSW recommended that there be a "gradual transition in the provision of OOHC for children and young persons"<sup>1</sup> to the non-Government sector. This transition, now underway, builds upon the capacity previously developed in the non-Government sector.

#### **Conflict of interest for Government as funder, regulator and service provider**

A rationale for increased contracting out is that there is an inherent contradiction in a single Government agency exercising the funder, regulator and service provider roles. In the OOHC sector, our position has been that the Department holds non-Government organisations to a very high standard in respect to its funded services, yet the Department itself is unable to deliver the same quality to its clients, while caseloads remain high.

The Usher Review found that "the appropriate, long term role for the Department of Community Services should be to assess and review service needs, negotiate contracts with service providers, and to monitor standards, and to ensure programme and financial accountability on the part of service providers. The Department should not continue to operate as a major substitute care provider. Such activity by the state government seriously compromises its proper assessment, contracting, review and

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<sup>1</sup> Special Commission of Inquiry into Child Protection Services in NSW (Wood Report), November 2008, Vol. 2, p.687.

monitoring roles in relation to the provision of services for children who are in need of substitute care services.”<sup>2</sup>

### **Advantages of non-Government sector service delivery**

There are several advantages that non-Government sector service delivery has over Government service delivery.

- **Reduced ‘red tape’ and increased flexibility** – Non-Government organisations have less formalised processes with less hierarchical organisational structures enabling them to be more responsive to service users’ needs.
- **Innovation** – Non-Government organisations are more able to trial and test new models of services, as a result of the smaller organisational size, adaptability, and lack of constraints that Government or For-Profit agencies would consider too high risk (e.g. not enough return, or politically contentious).
- **Better utilisation of resources** – Non-Government organisations deliver value for money due to lower overheads, and ability to share resources or develop partnerships.
- **Local knowledge** – Many non-Government organisations are community based with a long history in that community. They know the target group, and local culture.
- **Better able to develop relationships with service users** – Non-Government organisations do not have the historical stigma often associated with Government agencies. These organisations are often community-controlled.

### **Oversight and monitoring**

In the OOHC sector, non-Government providers of OOHC placement services are subject to several oversight bodies, in addition to the Government funding body.

These include:

- the NSW Ombudsman
- the NSW Children’s Guardian
- the NSW Commission for Children and Young People

The NSW Children’s Guardian is responsible for the accreditation and monitoring of OOHC placement services. This accreditation regime has contributed to improved quality of service in many agencies, because of the requirement for agencies to demonstrate their compliance with the OOHC standards set by the Children’s Guardian, including having policies and procedures in place consistent with the standards. The Children’s Guardian also undertakes regular case file audits of these agencies.

An important characteristic of these oversight bodies is that they are independent of the funding body. This means that quality of service is separated out from contractual performance, assessed separately and independently from the other, free from any potential prejudice or interference of the other.

The oversight work is generally strongly supported by the non-Government sector, even by those organisations that have at times been subject of scrutiny.

### **Reducing ‘Red Tape’**

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<sup>2</sup> NSW Ministerial Review Committee, *A Report to the Minister for Health and Community Services from the committee established to review Substitute Care Services in NSW (Usher Review)*, January 1992, p.4.

Most non-Government organisations provide an array of services. These services are often funded differently. This could be: Federal funding; State funding; funding from different Departments; funding from different Units in the same Department; they may be funded from the same Department but from different funding programs.

Each funding program has a set of its own conditions and processes for applications and reporting requirements. This administrative burden means that time and resources are used to satisfy these requirements at the expense of service delivery.

Common issues are: the need to resubmit organisational details to the Government agency which has been submitted for previous applications; different and various reporting requirements, both in terms of acquittal processes and recording for minimum data set; reporting focused on key performance indicators rather than outcomes for service users.

### **Need for integrated services and a full service system**

The non-Government sector should be funded to deliver an array of complementary services. This service system should have adequate flexibility and service mix so as to meet the changing needs of service users. This minimises the need for service users to have to go to another organisation should their needs change. Such services are also better able to achieve positive outcomes for service users. Service users would then have a continuity of service and an ongoing relationship with the service provider, and do not have to tell their story repeatedly to new organisations.

Performance based contracts and service models should not be overly restrictive or prescriptive. Flexibility in these areas will allow non-Government organisations to maximise their value as innovators in service delivery and empower them to manage their resources for best service user outcomes. These approaches will promote flexibility in service delivery and mitigate service system gaps that would otherwise exist.

### **Workforce development and equal pay**

Critically, workforce development is a significant concern for the non-Government sector. A history of poor remuneration, cyclic funding arrangements, and under-resourcing, in conjunction with the complexity of the work, has meant that non-Government sector community service delivery is not viewed as an attractive employment option to jobseekers and young people making career decisions. This issue is especially felt in regional, rural and remote areas.

The non-Government sector staff in NSW now come under Federal Modern Award-the Social, Community, Home Care and Disability Services Industry Award. In an Equal Pay Case, Fair Work Australia agreed that the sector has been under-remunerated and awarded increases of 19 to 41 per cent, to be phased in over the next 8 years. It is hoped that these increases to wages will help attract and retain skilled workers to the sector.

We ask that the Government commit to funding these increases when outsourcing to the non-Government sector. More broadly, a strategy must be developed by the whole of Government in cooperation with peak bodies and relevant unions to attract people to community sector jobs and to provide incentives for staff to work in this sector.

### **Partnership between the Government and the non-Government sector**

A relationship between the Government and non-Government sector based on true partnership and respect is an important part of successful service delivery. The non-

Government sector, being in a position that is closer to the communities, has much to bring to the table in this partnership. It is therefore important that the non-Government sector be involved the development phase of service delivery and the decision making process where possible.

ACWA has been in the privileged position of being an equal partner with the Government in the transition of OOHC to the non-Government sector. ACWA has been co-Chair of the Ministerial Advisory Group advising the Minister on the transition plan. This partnership arrangement with the Department of Family and Community Services and Community Services is reflected throughout the structures developed guiding the transition.

This type of genuine partnership is beneficial as it enables open and clear communication that respects each party's contribution to the process. It also signifies the importance given to the work of service delivery and that both the Government and the non-Government sector have the same aims and are working to agreed goals.

## **Risks**

**There are however some risks associated with the outsourcing of service delivery to the non-Government sector. These are mainly related to the processes involved in the transfer of delivery and if handled appropriately do not impact on the value of outsourcing as outlined in our submission above. Some of the key risks are briefly discussed below.**

- **Larger agencies and smaller agencies**

There is a tendency for Government to favour larger agencies due to a preference for: fewer contracts with fewer providers; economies of scale; capacity and structure for quick growth. However it is commonly recognised that smaller agencies tend to have better connection with community and often have good support from the community. ACWA's position is that decisions made on awarding contracts to agencies should be based on rigorous assessment of the agencies' ability to deliver the stated outcomes regardless of the size of the agency.

- **Accelerated growth can increase risks**

Growing too quickly can come at the expense of quality. As growth occurs, organisational systems and processes are stretched and tested. And it may be found that existing organisational structures are insufficient for the growth.

- **For-profit providers and not-for-profit providers**

The non-Government sector is not a homogeneous group, and there are distinctions between for-profit and not-for-profit providers. Questions of ethics can be raised about whom the for-profit agencies ultimately serve. For-profit agencies have shareholders and directors to answer to and their service models involve the generating of profit. It is key that decisions should not be based on lowest price only, and includes quality and governance gateways.

- **Ongoing Government involvement and safety net**

In some sectors there may be a need for the Government to continue to deliver services in a limited capacity as a provider of last resort. This would be particularly the case where the non-Government capacity is not sufficient to satisfy the need for services. Without ongoing planning and some form of safety net, there is the potential

for some service users with high needs falling through the gap. Government does retain the responsibility of being a purchaser of services and ensuring purchased services achieve expected outcomes, and value for money.