

Outsourcing Community Service Delivery

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**Inquiry into Outsourcing Government
Community Service Delivery**

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WHO IS ENDEAVOUR FOUNDATION

The Endeavour Foundation (Endeavour) is one of the largest non-government organisations in Australia providing services to people with a disability and their families. We support more than 3000 people with a disability through a mix of services and businesses, including accommodation, day and employment services at over 220 locations across Queensland & New South Wales.

While we are a not-for-profit, we are also a public company limited by guarantee. Our 'shareholders' are our Endeavour Members. These Members not only consist of families of people with a disability but members of the broader community who want to be associated with an organisation that does great work with Australians who need support – a little or a lot – in their everyday lives.

UNDERPINNING PRINCIPLES

The fundamental principles underpinning this submission, which Endeavour contends should inform the Committee's consideration of this matter, are those of Growth and Relationship:

The social and community sector in Australia has undergone rapid growth and consequently exhibits many of the same characteristics shown by any emerging and maturing industry, regardless of its field. These characteristics include relative ease for providers to enter the sector; a large number of providers, many of them small; a great variety of services as different niches are explored; high levels of innovation and relatively low levels of standardisation. They also include a relative absence of regulation and various degrees of oversight, including of agreed compliance standards, along with a multiplicity of representation bodies but a still developing and not yet uniform framework of industry standards.

Historically, the relationship between the sector and Government is one that has been predominantly characterized by a Purchaser Provider arrangement. In recent years, across many jurisdictions but not all, this relationship has been evolved by a paradigm shift to the principles of partnership and collaboration. In simple terms, the construction over time of the current model has created an environment where contracted employers in the community sector are treated as independent actors, engaged in a partnership with Government with a shared vision and defined roles for the partners.

INQUIRY SUBMISSION

That the Committee inquiries into and reports on the devolution and outsourcing of housing, disability and home care service delivery from the Government to the non-Government sector, with particular reference to:

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

The January 2010 Productivity Commission Report into the Contribution of the Not-for-Profit sector described Government funding for services and activities provided by the Sector as falling into three broad categories. These were services and activities to be considered to be:

- 1. Citizen entitlements, including primary and secondary health care;*
- 2. Social safety net, such as housing and disability services; and*
- 3. Community benefits, such as peak bodies.*

Many Government agencies are providers of services across one or all three categories. However, devolution or outsourcing of Government service delivery to the Sector, especially in the area of human services where it has been evidenced that the Sector can provide greater efficiencies in service provision unencumbered by the size and constraints of Government bureaucracy, has become a feature of the Partnership agenda of reforms in many states (eg. Commonwealth Employment Services).

The Productivity Commission Report into the Contribution of the Not-for-Profit sector, states that the passage of time has seen a withdrawal of Governments across Australia from service delivery and an increase in the role of Governments as the dominant funder, expressed through the purchase of Government determined outcomes and outputs from Community Service providers. This extension of the role of Government brings with it a tension between the culture of Community Sector organisations and that of Government. Consideration of this tension requires particular insight and sensitivity in transitioning to any new funding or outsourcing arrangement.

In a number of jurisdictions, including Queensland, the Commonwealth and overseas jurisdictions such as the United Kingdom, the development of a Compact with the Sector which articulates the relationship between Government & the Community Sector has provided a shared, overtly articulated foundation for the development and evolution of the work to be undertaken between Government and the Sector. For example "The Queensland Compact is a partnership agreement between the Queensland Government and the Non-profit Community Services Sector developed to build strong working relationship to achieve the best possible outcomes for all Queenslanders. The Queensland Compact is a shared initiative. Representatives from the Queensland Government and the Non-profit Community Services Sector jointly contribute and play a significant role in its implementation".

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;

A strong federated theme is becoming evident throughout the range of Community Sector reforms occurring right across the spectrum of Community Service delivery. Examples of this include the National Disability Insurance Scheme, The Federal Local Area Hospital and Health Networks (Medicare Locals) and the proposed reforms to the Aged Care system, within which a National Gateway has been recommended by the Productivity Commission.

It is therefore recommended that leveraging off national reforms should be a strong consideration in any models developed to monitor and regulate service providers.

Further, the establishment of the Office for the Not-for-Profit sector in the Department of the Prime Minister and Cabinet and the Offices' reform precursors provide the ideal opportunity for alignment. These include but are not limited to:

- 1. Preparations for the establishment of a National not-for-profit regulator;*
- 2. Better targeting of not-for-profit tax concessions;*
- 3. Improving the integrity of public ancillary funds; and*
- 4. Mooted reforms to the delivery of disability services.*

These reforms, and others, create an opportunity for Governments to take advantage of the momentum for change created and also leverage additional benefits from these national level reforms at the jurisdictional and individual Sector level.

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;

See Question e) Response

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

Again, leveraging off and alignment to national initiatives will provide the greatest degree of consistency and harmonization with broader national reforms, most critical of which being the NDIS. Further, many jurisdictions are independently considering or have developed measures to improve the efficiency of the contracting process with community service providers including purchasing frameworks to efficiently and effectively manage the quality of services delivered along with methodology for determining the population and individual outcomes over time.

The Report Once-Use Often ethos, while yet to materialize in a substantive way, has manifest itself in a range of Red Tape Reduction initiatives, and incentivisation by and to Governments, that are yielding positive results. This provides a merit based

foundation to build this work upon in conjunction with the development of the National Regulator.

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

The foundations of the Partnership agenda and reforms have been based on the premise of Community Sector partnership and collaboration yielding greater service integration and reduction of duplication and service gaps. Work undertaken in the ACT and other jurisdictions has focused on the use of shared facilities for Community Service Providers to achieve greater economies of scale, thereby transferring resources from duplicative functions such as admin, payroll, accounts, fleet services and IT, to achieving their social purpose.

The Queensland Green Paper-Working together, commissioned by the Queensland Council of Social Services' (QCOSS) Futures Forum, states that in an assessment of high impact NFPs undertaken by Crutchfield, McLeod and Grant (2008), cooperation and collaboration provided a means to success at an operational, strategic and most importantly, client outcomes level of performance. The report suggests that the "secret of their success lies in how high-impact non-profits mobilise every sector of society – Government, business, non-profits and the public – to be a force for good. In their words, greatness has more to do with how non-profits work outside the boundaries of their organisations than with how they manage their own internal operations".

The recommendations of the Crutchfield, McLeod and Grant report included "promoting the benefits of strategic restructuring and alliance building between not-for-profit organisations; providing incentives to encourage innovation in mergers and alliances; and developing an Australian framework that addresses key elements of mergers and alliances and includes a set of common terminology, a resource kit, an evaluation and capacity building strategies for smaller-sized and remote and rural based organisations".

*The Green Paper also strongly asserts that "the Community Services Sector has enough scale and attributed community benefit to be regarded as comprising a large set of complex businesses making up a **service industry** that deserves recognition as such. The benefits of then developing an **industry plan** for the future would involve a new investment approach complementing that already in place" in many jurisdictions and aligning with the work of the Office for the Not-for-Profit sector nationally.*

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

While growing fast, the sector is also exhibiting many of the stresses and strains associated with faster than average growth, while at the same time having to cope with the challenges of inadequate and often illogical funding structures, increased service delivery and operational costs, Governmental reform agenda's, regulation and compliance burden, increasing demand for service and increasing and often unrealistic service recipient expectations.

The significant reforms in the not for profit sector include (but are not limited to):

- *The impact and implementation of the Federal Pay Equity Equal Remuneration Order*
- *The impact and implementation of the National Disability Insurance Scheme;*
- *The Federal Health reforms interaction with community providers through Medicare Locals and enhanced primary care and allied health services;*
- *Aged Care reforms including the Productivity Commissions recommendation to uncap CACPs and EACH packages, as well as consideration of transitioning arrangements from a NDIS to the Aged Care system;*
- *Devolution of HACC 65 plus (50 plus for Aboriginal and Torres Strait Islander people) to the Commonwealth Government;*
- *Child Care reforms including implementation of the Early Years Learning Framework and the National Quality Framework; and*
- *Review of NFP tax exemptions and the Charities Legislation.*

A plethora of projects and research are being undertaken by Sector and Government bodies to assess, examine and identify the way(s) forward with strong consideration of the preparatory work that simultaneously needs to be undertaken to accommodate and implement the Sector reforms en-track.

With regard to the FWA ERO, Governments will need to consider their approach and the impact of how increased costs might be ameliorated, how support might be provided and how any agreed reforms will be implemented within this context. The primary source of additional income to assist in offsetting the cost of rising salaries is State and Federal Governments. Based on this premise Government has the contractual and other responsibilities to support Community Sector employers to manage the impact of rising wage costs that are outside their control. In many jurisdictions the approach to providing this support has been developed within the context of the Governments contractual responsibility to review contract pricing where there has been a rise in costs beyond the control of the employer.

Again, recognition of the Sector as a Service Industry and development of an Industry Plan would provide the framework, structure, support and incentives to gain a whole of view perspective on the complexities, challenges, opportunities and volume of work that needs to be undertaken in the near future in a planned and strategic way.

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

In a study undertaken by Wiepking, Skaife and McDonald (2011) into the Motives and Barriers of bequest giving, the authors found that “Philanthropic behaviour flows from the evaluation of benefits and costs (Luo, 2005). Three types of cost aspects form barriers for leaving a charitable bequest. First, one would need enough financial resources and assets to be able to leave a (substantial) charitable bequest. Second, one would need to perceive him or herself as financially secure and able to share their resources. Third, people would need to invest time and effort (and potentially expenses) into planning their estate”.

The authors continue to posit that “people prefer to make structured donations to organisations they trust to spend their money effectively and in line with their intentions (Bekkers, 2006; Bowman, 2004; Cheung and Chan, 2000; Sargeant et al., 2006a). Australian donor research consistently pinpoints issues, such as effective governance and the organisation's ability to make a major difference as critical in giving decisions (ACOSS, 2005), most acutely so for major givers. From the philanthropic literature, the main barriers for leaving structured donations appear to be (lack of) solicitation, family need, and costs (James III, 2009a; Sargeant et al., 2006a)”.

From their research the authors made the following recommendations to prospective solicitors of charitable donations and bequests:

- 1. Organisations could do more to reassure supporters their donations are used well now and will be into the future: this means tactics, such as board and bequest codes of conduct, and project lists that are about ongoing or future need.*
- 2. The perceptual barrier of bequests being seen as hard to do or not easy for the typical person needs to be overcome: this means step-by-step guides as well as marketing examples of bequestors with whom people might identify, reinforcing the communication theme that ‘bequesting is easy for the average person’.*
- 3. Bequestors are different in some ways to other donors: this finding gives a rationale for tailored communication.*

The work currently being undertaken within the Charitable Fundraising Reform will assist in addressing the matters raised with regard to transparency, accountability and due diligence.

h) The use of technology to improve service delivery and increase cost effectiveness;

The use of technology to improve and support service delivery provides great potential to revolutionise the Sector at both the front and back end functions of organisations’ practice. There is also great capacity for technology to empower and facilitate service users in exercising choice and determination over their service requirements through electronic and facilitated means.

At a systems level Self Serve portals currently exist in Victoria for Service Providers to manage their reporting, acquittal and service delivery functions through the Funded Agency Channel, an initiative of the Victorian Governments Partnership Reform (Putting Partnerships into Practice). Similarly the Better Health Channel has been operating since 1999 in Victoria and provides health and medical information to the Community Sector and general public that is quality assured, reliable, up to date, easy to understand, regularly reviewed and locally relevant.

The capacity for highly evolved database and service management systems to support consolidation of a number of organisations back of house functions such as

payroll, electronic records, shared servicing and even sharing of staff across multiple organisations accommodation facilities, would not only provide economic and systems efficiencies but would support practice and quality standardisation and enhancement across a Sector that currently has highly variable compliance.

However, implicit in the opportunity to investigate, adapt, evolve and invest in technology to improve service delivery, is the requirement for Governments to include the funding of technology as an eligible expense given its capacity to significantly improve cost effectiveness at the administrative and service delivery areas.

i) A comparison of the management and delivery of similar services in other jurisdictions; and

Endeavour Foundation offers a range of innovative community housing, accommodation and residential services. We provide options and solutions to people with a disability, mental health concern and children with a disability. Both children and adults are able to be supported in their homes with “drop-in” support. We believe that everyone has the right to live in their own home, achieve their maximum potential and live the life of their choice. We provide flexible, individualised accommodation that is tailored to each person.

Endeavour supports people with disabilities in both Endeavour-owned facilities and Department-owned facilities. Endeavour-owned facilities are typically block-funded through the Department of Communities. Support ranges from drop-in support to 24/7 support and this may include a range of services including domestic assistance, personal care, community access etc. In some situations meals are provided at a fixed time following a previously negotiated meal plan.