

**Submission**

**No 64**

## Outsourcing Community Service Delivery

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## Parliament of New South Wales Community Services Committee inquiry into Outsourcing Community Service Delivery

Life Without Barriers appreciates the opportunity to contribute to the Parliament of New South Wales Community Services Committee inquiry into Outsourcing Community Service Delivery.

### About Life Without Barriers

Life Without Barriers (LWB) is a not-for-profit, non-government organisation committed to challenging systemic disadvantage and supporting vulnerable and marginalised people to reach their full potential.

We provide services from 82 sites across the country, employ over 2,000 staff, and over 2,500 carers and contractors. We offer a range of programs and services to support almost 5,000 people with high and complex needs including:

**Family Support and Out of Home Care;** We provide safe, stable and loving homes to vulnerable children and young people who cannot live with their families.

**Disability Services;** We work with people with a disability, their families and carers to break down social exclusion and engage meaningfully with their communities.

**Homelessness;** We work assertively to form relationships with people who are homeless, and leverage these relationships to link people with housing, health, education and employment to turn their lives around.

**Mental Health;** We work with people with a mental illness to promote and foster their recovery and to lead full and happy lives.

**Youth Justice;** We support young people and their family to break offending cycles and become valued members of their community.

**Refugee and Asylum Seeker support;** We provide support and protection to over 500 children and young people who arrive in Australia seeking asylum without a parent or guardian.

We have a philosophy of never giving up on people, which means we often support children, young people and families that other agencies either won't support or no longer can. Our services are delivered across urban, regional and rural centres in every state and territory in Australia.

## Introduction

LWB has extensive experience working with the NSW Government to deliver community services. LWB provides disability support services for over 1000 people in NSW and is the largest non-government provider of out-of-home care in NSW, supporting over 1000 children and young people. This submission also draws upon LWB's broader experience delivering contracted services in other Australian states and territories.

LWB believes that the contracting of service delivery to non-government organisations (NGOs) should be informed by the capability of the sector to achieve outcomes for the individuals, families and communities who receive these services. Services should not be contracted to non-government providers on the basis of cost alone. While properly supported and resourced NGOs may be able to provide some services more efficiently, the driver of non-government service delivery - and the underpinning rationale - should be unequivocally centred on the sector's ability to strengthen social capital within communities by drawing on its unique capabilities.

For non-government service providers to be able to provide the most efficient and effective services, contracts and broader interactions between service providers and government agencies need to be genuinely representative of a partnership approach. The term 'outsourcing' does not capture the kind of collaborative relationship to which government and non-government service providers should aspire. The sector should be seen as an alternative that is partnered with on the basis of its unique attributes and strengths. Partnerships foster a genuine shared accountability for service provision, and this in turn focuses attention on the outcomes for people who receive these services.

For NGOs to harness their full capabilities as agile, innovative and cost effective partners in service delivery, investment in training, sector development and the organisational and systems capacity of NGOs is required. Investment reflects the status of the sector as a partner in service delivery and the shared responsibility for ensuring its sustainability.

The focus of community services and associated partnerships between governments and NGOs must be centred on the best interests of individuals, families and communities. This has been achieved to varying degrees from the significant progress achieved in disability services to ongoing challenges facing out-of-home care in NSW. The progress of disability services has been characterised by a shift away from the traditional purchaser-provider model of contracted service delivery towards a more collaborative approach, and this in turn has created opportunities for more individualised services. While outcomes for children in out-of-home care continue to be constrained by the traditional purchaser-provider relationship, there is shared understanding of the need to move towards a more collaborative approach<sup>i</sup>

## **Discussion**

### **Employment, pay equity and training**

The ability of NGOs to operate effectively and sustainably relies on the ongoing capacity of the sector to attract and recruit staff with the skills mix to meet current and future needs. This in turn is shaped by broader issues such as an ageing carer workforce, ageing population, changing models of service delivery, pay equity and access to training.

Low wages are a significant barrier to attracting quality frontline staff such as carers and disability support workers to the sector. These roles have historically been filled by women, and quite rightly much of the recent debate surrounding pay equity for community service workers has focussed on inequity from this perspective.

To meet the increasing demand for community services, policy makers need to make use of the total employment tool and attract men and women to the sector. Fairer pay will enhance the ability of the sector to compete with other industries to attract workers. By building pay implications into contracts with NGOs, governments can assist the sector to meet future employment demands while safeguarding existing services.

Recruiting staff is a core business function of NGOs and one that is fundamental to quality service provision. The NSW Care Careers strategy<sup>ii</sup> is an example of how the community services sector and government can move beyond the traditional purchaser-provider relationship towards a collaborative partnership. Care Careers seeks to attract potential employees to the community care and disability sector in NSW, strengthen recruiting practices and positively shape perceptions of work within the sector. The strategy demonstrates how government (Department of Family and Community Services NSW) can collaborate with the sector (National Disability Services) to enhance the capacity of the sector and hence its ability to achieve shared objectives.

Partnerships such as Care Careers have broader applications to supporting a skilled and qualified NGO workforce that is well positioned to compete for talent with other industries.

Providing opportunities for NGO staff to access training and knowledge and the secondment of government and NGO staff to work with their public sector or non-government counterparts are examples of other mechanisms that can help foster the capacity of the sector.

### **Contracts**

For governments and NGOs to move towards more collaborative and partnership-based approaches to service provision, the framing of contracts needs to reflect and support this relationship.

Under the current framing of contracts for the delivery of many community services, the role of NGOs is one of a service provider within a purchaser-provider framework. The

Productivity Commission (2010)<sup>iii</sup> identified prescriptive service contracting by government as a constraint to productivity in the NFP sector. The prescriptive nature of contracts and the associated focus on inputs can diminish the capacity of NGOs to deliver effective services, and limits the development of social capital.

Disability services in NSW are a good example of how NGOs and government can work in partnership to ensure that the emphasis of service delivery is centred on the outcomes for people who use services, and not funding arrangements and associated inputs.

Building outcomes into contracts is one way of incentivising effective service delivery. The Out of Home Care Forum<sup>iv</sup>, jointly hosted by Deloitte and Life Without Barriers in 2011 discussed the lack of funding geared towards achieving specific outcomes. Deloitte<sup>v</sup> suggests that building outcomes can help allocate resources to the most effective services:

*Overall, funding should also be structured in a way that incentivizes those organizations that achieve good outcomes. By measuring those outcomes that are tied to funding, it is possible to strengthen the evidence base for particular programs or interventions, possibly creating a 'virtuous circle'.*

Building outcomes into contracts could also function as a possible mechanism to incentivise and reward organisations such as LWB who provide services for individuals, families and communities with complex needs. The types of outcomes that could be rewarded are vast, from reunification in out-of-home care to maintaining community-based living.

## **NGO Systems/Capacity/Reporting**

The ability of NGOs to build relationships with communities makes them better placed than government to provide human services. This capability can be supported and developed to play an increasing role in service delivery through the recognition of operational costs associated with the delivery of contracted services and an accompanying investment in the capacity of the sector. Historically there has been very little upfront funding to support conditions for effective contract delivery. To ensure the ongoing viability of the sector and ensure a continued focus on people who receive services, governments need to consider how they can invest in tools that support service delivery and stable and efficient service providers.

The Victorian Department of Human Services' Client Relationship Information System for Service Providers (CRISSP) illustrates one example of how government can invest in tools that support the sector. CRISSP is a client information and case management system developed for disability, out-of-home care, youth justice and other community service providers to record client information, assist case management and meet reporting requirements. Regardless of the relative merits and sticking points of the CRISSP system in practice, the concept of a one-file system illustrates one example of how government can invest in tools that benefit the sector and the people it serves.

Aside from investment in tools and systems that the sector as a whole can utilise, it is also important to respond to the associated operational costs incurred by NGOs in the delivery of contracted community services. This issue will be increasingly salient as wage implications under the national pay case for community service workers fall due, and failure to build such operational costs into contracts will constrain the ability of the sector to work in the best interests of people who receive services.

Compliance and reporting creates a significant cost burden for NGOs, and again, these costs must be built into contracts if the capacity of the sector is to be maintained. State governments can assist the sector by streamlining reporting and compliance and by supporting national reforms associated with the creation of the Australian Charities and Not for Profit Commission (ACNC). Consultation with the sector should inform broader discussions regarding what compliance and reporting obligations can be removed at a state level in favour of a 'report-once-use-often' framework at a national level.

## **Partnership and collaboration**

The full potential of NGOs to deliver effective and efficient community services can only be realised under a collaborative approach between sectors. As discussed previously, there is a compelling rationale to transfer service delivery to non-government organisations where there is clear benefit to individuals, families and communities who receive these services.

To fully leverage the capabilities of NGOs to deliver services in the interest of the community, governments and the sector need to act as partners. A collaborative approach to the development of infrastructure that supports efficient service delivery, for instance Information Technology, is one area that government and the not-for-profit sector could investigate further.

The Working Together for New South Wales Agreement<sup>vi</sup>, endorsed by the NSW Government and Forum of Non-Government Agencies (FONGA) provides a solid framework for the two sectors to work together “to achieve better outcomes for individuals, families and communities”. As a member of FONGA, LWB strongly endorses the approach articulated in the agreement and supports a continued commitment by the two sectors to implement its principles into the core of service delivery.

The National Compact<sup>vii</sup> identifies a number of priorities to aid partnership including improving funding and procurement processes, simplifying financial arrangements, recognising sector diversity in consultation processes and greater information sharing. There are many other interactions that would facilitate partnerships and shared responsibility for service development, policy, skills development and innovation are just a few.

The provision of Disability services in NSW is a good case study for how governments and non-government service providers can collaborate and work in partnership to deliver services. Deloitte<sup>viii</sup> outlines some of the progress that has been made in the provision of disability services including moving away from traditional relationships between the sectors



towards partnership arrangements through collaborative discussions and strengthening the capacity of the not-for-profit (NFP) sector.

### **Philanthropy and funding for innovation**

The Productivity Commission (PC) research paper, *Contribution of the Not-for-Profit Sector*, recommended<sup>ix</sup> that:

*Governments should require all programs (above \$10 million) delivering community services through not-for-profit organisations to set aside a small proportion of the program budget to a program related social innovation fund*

The PC's recommendation reflects the importance of funding innovation in service delivery and the challenges that NGOs face in funding innovative, yet untested programs. One of the many reasons for partnering with NGOs in service delivery is to spread risk, while still allowing for a level of risk inherent to innovation. It is important that innovation is able to be funded, and governments have an important role to play. Governments can directly fund innovation and may act as a conduit to potential relationships with the private sector.

On the topic of funding, The Out of Home Care Forum<sup>x</sup> raised the issue that alternate income streams to government grants were needed to create a more sustainable and independent sector. One of the mechanisms put forward as an alternate funding source and as a way to introduce investor capital to the sector was the use of social impact bonds. Social impact bonds have been used with positive outcomes for recidivism amongst former inmates of Peterborough Prison in the UK<sup>xi</sup> and illustrate how innovative funding mechanisms and programs can be structured around outcomes.

### **Rural/regional issues**

Delivering services in rural and regional areas poses a number of challenges for service providers. Issues related to geographical isolation, contracts encompassing small numbers of end users, and contracts frameworks that do not assist the delivery of quality services create disincentives for NGOs. There are a number of ways that governments can contribute to creating favourable conditions and viable contracts, and in turn sustainable rural and regional services.

HACC Queensland's consolidation of regional/rural disability contracts, informed by feasibility studies, is an example of how governments can support regional service delivery. HACC's consolidation created favourable conditions for NGOs and Life Without Barriers was able to tender for and subsequently deliver services that would not have otherwise been viable. Accompanying the consolidation of contracts was a shift in focus from inputs to outputs, giving NGOs more flexibility over the use of funds and incentivising effective service delivery.

Thank you again for the opportunity to provide a submission on the Community Services Committee inquiry into Outsourcing Community Service Delivery.

Sincerely,

Claire Robbs  
Chief Executive

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<sup>i</sup> Deloitte Touche Tohmatsu 2011, The Out of Home Care Forum

<sup>ii</sup> <http://www.carecareers.com.au/>

<sup>iii</sup> PC (Productivity Commission) 2010, Contribution of the Not-for-Profit Sector, Commission Research Paper, January, Canberra.

<sup>iv</sup> Deloitte Touche Tohmatsu 2011, The Out of Home Care Forum

<sup>v</sup> *ibid*

<sup>vi</sup> [http://www.adhc.nsw.gov.au/\\_data/assets/file/0020/228350/WorkingTogetherforNSW.pdf](http://www.adhc.nsw.gov.au/_data/assets/file/0020/228350/WorkingTogetherforNSW.pdf)

<sup>vii</sup> [http://fahcsia.gov.au/sa/communities/pubs/national\\_compact\\_consultation/Documents/nc\\_consultation\\_report.pdf](http://fahcsia.gov.au/sa/communities/pubs/national_compact_consultation/Documents/nc_consultation_report.pdf)

<sup>viii</sup> Deloitte 2011; Steering Committee for the Review of Government Service Provision 2010

<sup>ix</sup> Recommendation 9.5: PC (Productivity Commission) 2010, Contribution of the Not-for-Profit Sector, Commission Research Paper, January, Canberra.

<sup>x</sup> Deloitte Touche Tohmatsu 2011, The Out of Home Care Forum

<sup>xi</sup> [http://www.socialfinance.org.uk/sites/default/files/SF\\_Peterborough\\_SIB.pdf](http://www.socialfinance.org.uk/sites/default/files/SF_Peterborough_SIB.pdf)