

Outsourcing Community Service Delivery

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Inquiry into Outsourcing Community Service Delivery

Thank you for providing Northcott Disability Services with the opportunity to provide a submission for the inquiry into outsourcing community service delivery.

About Northcott

Northcott Disability Services was established as The NSW Society for Crippled Children in 1929 by the Rotary Club of Sydney. Northcott's purpose is to build an inclusive society where people can live the life they choose. This is achieved by assisting people with disabilities to develop their skills and achieve their goals - including their potential for independence and ability to participate in their community. Northcott supports over 10,000 people with disabilities and their families across NSW and the ACT. Northcott employs approximately 600 staff state-wide, providing more than 100 services from more than 20 sites and offices across NSW and the ACT. Northcott provides services to people with a broad range of disabilities including physical, intellectual, sensory, acquired and degenerative disabilities.

The majority of Northcott's services and programs funded by Ageing Disability & Home Care (ADHC) – NSW Department of Family & Community Services (FaCS). Northcott also receives state government funding from Community Services (FaCS), Department of Education & Communities and NSW Health; receives funding through ACT Community Services Directorate; and receives federal government funding through Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), and Department of Education, Employment & Workplace Relations (DEEWR). Northcott also supplements the costs of services through corporate and community fundraising.

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

Northcott supports service delivery being transferred to the NGO (non-government organisation) sector as it offers value for money, less bureaucracy, and connections to community, and thereby quality services for clients. Outsourcing service delivery to the NGO sector also allows scope for innovation, as they are not bound by the same levels of hierarchical reporting and approval as government departments, and have some freedom from the demands of the electoral cycle. This gives governments the opportunity to look at different service provision models, in a controlled manner, and decide what might best work in any environment.

Northcott also views particular issues associated with the government as both purchaser and provider, including: lack of clarity about the purchaser/provider model; potential conflict of interest; restriction on the ability of government to set clear outcome targets free from any conflict with the performance of the services it provides. Maintaining the role of purchaser and in a limited way provider, does, however, enable government to concentrate on providing services for those groups of people or those types of service where there is little to be gained from outsourcing due to security or risk issues.

In the disability system, ADHC is both the funding body and a provider of some direct services, for example: centre based respite, case management, therapy. However, NGOs are often funded at a lower rate than ADHC services for providing the same service. As a result of this, staff working in NGOs received lower rates of pay than those working in ADHC services. This can serve as a barrier to attracting skilled staff to the NGO sector. As such, Northcott supports consistency in levels of funding for government and NGO provided services. Alternatively, ADHC could cease to provide those services which are

able to be provided more efficiently and effectively by the NGO sector, and use the savings realised to increase services.

Procurement

As a service provider for over 80 years, in receipt of funding from a range of state and federal Governments, Northcott has experienced a range of procurement approaches to outsourcing service delivery to NGOs. Northcott has found that pre-qualification panels / panels for pre-approval (such as the Accommodation Pre-Qualification Panel for ADHC funded services) works well in terms of reducing duplication of information supplied to government for tendering purposes. Northcott supports the future expansion of this type of procurement model. In fact, Northcott would support the rollout of a Government pre-approval process for community and human services delivery (across all levels of government), to further reduce the cost and administrative burden of completing many and varied tender process, each which aim to elicit the same information, only in slightly different ways. Once pre-approved as a provider, service specific requests for detailed proposals could follow, providing NGOs with the opportunity to focus on the specific service delivery model, rather than broad, repetitive organisational, management and financial information.

In terms of the time-lines for the tendering process, Northcott understands that tenders have a specific timeframe for completion, which we comply with in order to be considered for a new service. In-line with this, we would like to see the outcomes of tenders equally as strict in terms of complying with reasonable time-frames for notification. Northcott also believes that reasonable time-frames for the set-up of new services must be allowed, rather than what is often the case where tenders outline requirements for very short timeframes for service set-up.

Contracting Arrangements

Northcott supports that the contracting out of services should reflect a fair and equal relationship between government as purchaser and NGOs as providers. Apportioning risk needs to be more equitable between purchaser and provider, and contract terms should be fair and reasonable. For example, a recent NSW Government tender funding contract stipulated contract termination terms of for the purchaser in whole or in part for convenience at any time by giving at least 14 days' notice to the service provider; the provider was only able to terminate if the purchaser failed to pay an amount that is due and payable in accordance with the agreement for a period of at least 90 days. Northcott believes such contract terms are unreasonable, inequitable and unfair, and support contract arrangements supporting mutual terms for both purchaser and provider.

Funding Levels

Northcott supports that services outsourced by the government need to factor in not just the immediate direct and indirect costs of service delivery for the program, but the cost of capital, infrastructure and ongoing support needs also should be factored in when

determining funding level for service delivery. The capacity of NGOs to supplement services with fundraising income should not be seen as a means to pick up any short-fall in funding for a service. Fundraising income generated by NGOs should be used to enhance the overall capacity and services of the organisation in areas which are not part of a contracted government service. Therefore, Northcott supports that services contracted out must be fully funded, or at least in a framework that enables the cost of capital to be factored in; for example, contract terms that are secure enough to support borrowing for capital costs – this means both length of term and commitment to CPI.

Northcott would also like to see more flexibility and timeliness in access to government funding when there is a change in the level of need for a client; it shouldn't be the responsibility of the NGO to provide the extra support without the extra funding.

In terms of set-up funding for new services, Northcott believes that the government should consider funding capacity building of organisations, especially when it is a new model of service delivery. For example, ADHC recently opened up the opportunity for organisations to be providers of the Self-Managed Model of Community Participation Program (CPP). This new service type marks a significant shift in service delivery and requires comprehensive organisational changes (across financial, IT and administrative systems) to support a model which places clients with the decision-making power and financial control. Access to funding for organisational capacity building for this would better equip NGOs to be able to deliver these government contracted services on the ground.

In relation to price-setting, Northcott believes that mandated pricing set by the government for the administration and management fees charged by an organisation to deliver a service for a client, do not necessarily reflect the full and true cost to the organisation to provide this service. For example, the ADHC mandated limit of 12% administration fee for an organisation to manage a funding package for a client in Self-Managed CPP (which includes all aspects of planning in the program, as well as responsibility for meeting all the financial, legal, administrative and regulatory requirement of the funding) is not realistic reflection of true cost of providing the admin/management of a CPP package. Northcott supports that organisations be price-makers, an increasingly crucial and important issue as the disability sector moves towards more individualised funding arrangements and self-managed models, where the client, not the government, will become the purchaser of services.

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;

Under current funding mechanisms and contracts with government, the model for monitoring quality and complying with contractual arrangements is based around outputs; for Northcott, this specifically involves providing data on the hours of service provided in a particular program / under a particular funding stream. Northcott believes that this is an

ineffective mechanism for measuring compliance, accountability and quality. Rather, we support defining, measuring and monitoring outcomes, that is, what the service delivery actually achieves for clients, as a more meaningful way of monitoring and regulating service provider to ensure probity, accountability and quality assurance for clients.

Currently, the NSW disability sector does not have a consistent and agreed upon Quality System for disability service provision. Northcott supports the timely development of a Quality System for disability services, which is in-line with the proposed National Standards for Disability Services and National Quality Framework. As a contracted service provider for a range of state and federal government funding agencies, we also support that this quality system should be recognised across all levels of government, to increase cost-efficiencies and reduce the number of different quality assurances processes we must undertake.

Northcott supports a common, consistent approach to monitoring and regulating service providers across all government departments. As such, we support a national accreditation process for disability service providers, to ensure consistent standards and compliance mechanisms across all levels of government.

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;

In terms of contracting out services to providers in rural and regional areas, there are particular considerations which the purchaser needs to factor in when determining funding levels and contracting to providers. Northcott's experience of providing the same services across both metropolitan and regional/rural areas is that the cost of service delivery in regional/rural areas is higher. This is due to a range of issues including the geographical coverage of the service and cost of travel, staff recruitment and training costs and the difficulty finding suitably qualified staff, the limited availability of health and community services in these areas and therefore the need for service providers to often provide levels and types of support beyond the standard contracted service. Northcott posits that in order to ensure adequate levels of supply and delivery of services in regional and rural areas, funding levels for providers should reflect the higher cost of delivering services in these areas.

Northcott's experience working in local regional and rural communities is that we may identify areas of need (by geography and/or service type), and want to expand into these areas, but the funding may not necessarily be available there for us to provide the service. While procurement frameworks such as open, competitive tendering can be a transparent and equitable means of outsourcing service delivery, Northcott would also welcome the opportunity to directly approach government with areas of community need and models for meeting these needs, and have access to funding to deliver these services.

Northcott strongly believes in the development and expansion of technology (such as the use of tele-health and other online service delivery models), not only as a means of delivering more cost-effective service delivery to regional/rural areas, but as a crucial approach to ensure adequate levels of supply and delivery of services in these areas into the future.

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

Northcott supports that government take a holistic view of service delivery, across programs and funding streams, rather than developing capability frameworks and regulatory arrangements which are specific to a narrow area of service provision. For example, currently the ADHC funding acquittal process and outcome varies across regions and programs. Taking a holistic view of service delivery, Northcott would like to see a fair set of rules applied consistently across ADHC funding acquittals.

Northcott supports recent developments in relation to red-tape reduction in the disability sector and in NSW government funding arrangement with NGOs, and would like to see this approach to red-tape reduction broadened to work across all state and federal government funding agencies. Northcott also believes that the cost of compliance needs to be recognised by government, and the role that IT infrastructure plays in supporting the organisation to meeting compliance requirements. Understanding the role of IT systems in meeting capability frameworks and regulatory arrangements, NGOs should receive adequate resources and funding to cover this infrastructure requirement.

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

In a true purchaser/provider model, the purchaser can be clearer about specifying the outcomes they want, and inviting providers to be innovative in how those outcomes are delivered. At the moment, compliance is largely around outputs (hours of service delivery), and thus focuses on reporting and regulation, rather than outcomes (what the service delivery actually achieves for clients). This inhibits any sustained capacity building and social integration.

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

Northcott currently has approximately 600 staff, with approximately equal numbers of part-time and full-time staff. Over the past 4 years Northcott has seen a 46% growth in staff numbers; with an average prediction of staff growth at 15% per annum. Northcott anticipates this growth rate to continue. Northcott staffing profile shows 80% female and 20% male workforce, which is typical of the disability and community services sector.

NSW currently experiences 5.4% unemployment. Metropolitan Sydney has experienced a much tighter labour market over the past 5 or 6 years, which has contributed to

difficulties in sourcing qualified staff in the disability sector. Northcott also experiences difficulties in the recruitment of qualified staff in regional and rural areas, due to smaller pool of suitable workers and competition with other services. This can often mean employing less qualified staff who have additional training needs to meet the requirements of role. There is a particular difficulty in finding allied health therapists in these areas.

Fair Work Australia's recent Pay Equity Decision in relation to the community service sector will not have an immediate direct effect on Northcott as Northcott, in common with many other NSW organisations, already pays above the minimum wages in the Federal Award. However, Northcott understands the pay equity issues in relation to women employed in the NGO sector and anticipates making changes to its Enterprise Agreement as the transitional and long-term implications of this decision are known. Northcott also supports government to fully fund services it has transferred to the NGO sector, with funding levels in-keeping with wage increases.

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

In the current environment, Northcott relies on fundraising income (through sources of private philanthropy) to cover the full cost of service delivery for those services which are not fully funded by the government. Northcott also makes a conscious decision to fund our regional (non-metropolitan) offices, in order to enable the organisation to sustain a presence in a region. Northcott supports that government services outsourced to NGOs should be fully funded, thereby enabling fundraising income to be available for sole use on enhancement and adding value to the organisation and the services it provides. In this way fundraising income can be used to develop and trial innovative service models and explore different ways to meet individual and community need.

Northcott believes that social innovation bonds and social enterprise models have strong place in future of NGOs, and would welcome greater support for NGOs to get these models working. Northcott posits that the terms of contracts that are necessary to create a climate encouraging this include a true purchaser/provider model, where the purchaser can be clearer about specifying the outcomes they want, and inviting providers to be innovative in how those outcomes are delivered.

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

Northcott believes that there is great potential in the use of technology to improve service delivery and increase cost effectiveness. The innovative use of technology in service provision could particularly be useful for delivering services in regional and rural areas, where finding appropriately qualified staff and overcoming the tyranny of distance are major barriers to accessing service. For example, Northcott provides services across the whole state of NSW; however, our support is often provided as an outreach service from a regional office. We may have staff providing services to people living up to a day's drive

from our local office (for example, our Dubbo office provides services to people living in Broken Hill). Delivering these services face-to-face becomes a costly and time-consuming exercise. Alternatively, the cost for families to travel into their nearest regional centre to access services is not always manageable.

Northcott sees great potential in the use of the National Broadband Network (NBN) to support online and tele-health models of service delivery, which could particularly increase cost effectiveness for service provision to regional and rural areas. For example, using tele-health technology to deliver therapy services, a speech therapist may be based in a metropolitan Northcott office, but through tele-health technology and high-speed internet connections through the NBN, be able to deliver online, remote, real-time therapy services to people living in rural NSW.

Using the NBN to support online service delivery models can also improve people's access to services and decrease social isolation for people with a disability, and their families, who may be living in geographically isolated areas. For example, a family support worker could use technology to create and maintain an online support group for parents of a child with a disability, improving access to professional and peer support for these isolated families. Using technology to create virtual social networks and other online social groups for young adults, can also increase social connectedness and participation in social and peer networks for young people with a disability. Northcott has begun to explore how technology, such as Facebook and Skype, can work in these ways to improve service delivery and increase cost-effectiveness of providing services. However, the main barrier for Northcott to expand our use of technology to support improvements in service provision is the access to funding and technological resources to pilot such innovative uses of technology. Further funding for NGOs to develop technologically innovative service delivery models, and access to technological resources and support to trial different ways of using technology to improve service delivery, is required.

Northcott also sees that technology between the government and NGOs could be improved to increase cost-effectiveness. In particular, Northcott supports integrated technology between purchaser and provider, whereby IT systems used by NGOs can easily 'talk to' government IT systems. Integrated technology in this way will decrease the amount of staff resources currently used in extracting reporting data from the provider's IT system, and then manually inputting this data into the IT system requirements of the purchaser/government.

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

Northcott understands that in the USA there is little direct government delivery of many social services; most is done by not-for-profit organisations. This has, arguably, led to some remarkable innovation (for example, housing of the homeless) which has grown out of partnerships between not for profits, philanthropy and state administrations.

Similarly, Northcott is aware that many of the advances in health in Australia have come from non-government health organisations (like St Vincent's, the Benevolent Society, Tresillian etc.), developing health services in response to need, and then coming to governments for funding.

Northcott is also aware that in the UK they have been moving to a purchaser/provider model for some years, and while the providers may be government owned, they are in fact semi-autonomous and set up as Trusts or similar organisations.

j) Any other related matters.

Northcott believes that if the government wants increased efficiency in service delivery, it needs to cease being a price setter for employee wages and benefits. It is clearly difficult to develop a flexible labour market within public service structures, and enabling not for profits to develop agreements that meet the requirements of their staff and clients will assist in this process.

However, it is also important that appropriate regulation of standards in staff credentialing, health and safety, training etc. be part of any outsourcing arrangements to minimise risk to clients and ensure the sustainability of the workforce.

This submission has been prepared by Liz Forsyth (Sector & Business Development Manager) and has been endorsed by Northcott's CEO Kerry Stubbs.

Should you require any clarification or further information on this submission please contact _____ Northcott would also welcome the opportunity to appear at a hearing to present before the NSW Legislative Assembly Committee on Community Services.