

Outsourcing Community Service Delivery

Organisation: ANGLICARE Sydney
Name: Mr Grant Millard
Position: Chief Executive Officer
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ANGLICARE Sydney Submission on the Outsourcing of Community Service Delivery

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1. INTRODUCTION

1.1 Who we are: ANGLICARE Sydney is a Christian organisation operating a wide range of community services and programs across the Sydney Metropolitan, the Illawarra, and Shoalhaven regions of New South Wales; it embodies the Christian commitment to care for all people in need, as comes from Jesus' command to love your neighbour as yourself.¹ Our range of services include: counselling and family support services (including Family Relationship Centres); community education for families; disability case management and respite; youth services; emergency relief for people in crisis; micro finance, financial counselling, foster care and adoption for children including those with special needs; migrant services including humanitarian entrants and newly emerging communities; English as a second language classes; aged care both through nursing homes and community services; opportunity shops providing low-cost clothing; emergency management services in times of disaster; and chaplains in hospitals, prisons, mental health facilities, Aged Care Facilities and Centres and juvenile justice institutions.

1.2 Service Provision: ANGLICARE Sydney is not a significant housing provider but relevant to this submission is the broad range of disability and home care services which we provide in the community. ANGLICARE is currently one of the largest providers of respite services in Western Sydney. We have been providing services in the Sydney area since 1856 and have been operating government funded services in the Greater Sydney and Illawarra for over 50 years.

Our experience has derived from the operation of a large number of programs which include:

- Westlink Host Family Program (ADHC – DSP funded, operating since 1980).
- Peer Support (ADHC – DSP funded, operating since 1991).
- Vacation Care (ADHC – DSP funded, operating since 1990).
- W.H.I.R.L.S. (ADHC - HACC funded since 1992. For people with an acquired brain injury.)
- Complex Care Support - (funded by the National Respite for Carers Program).
- Home Respite Service is funded by ADHC.
- Personal Care (ADHC funded)
- Domestic Assistance (ADHC funded)
- Chesham Care at Home (Community Aged Care Packages – dementia priority, Extended Aged Care at Home Package, Extended Aged Care at Home Dementia Package) Commonwealth funded
- Day Centres – Richmond, Winmalee, Kingswood, Lawson, Penrith, Whalan, Cumberland, Jannali, St George, Wollongong, Liverpool, Cabramatta, Mosman, Lower North Shore, Frenchs Forest, Pittwater, (ADHC funded).
- BreakAway Respite (National Respite for Carers Program)
- Day Therapy Centre (Commonwealth Funded)
- Eleebara Overnight Respite Cottage (National Respite for Carers Program)
- Dementia Advisory Services (ADHC funded)
- Dementia Cafe and Carer Support (ADHC funded)
- Men's Shed (ADHC funded)
- Podiatry Services (ADHC Funded)
- Community Visitors Scheme (Commonwealth funded)
- Community Options (HACC funded and established 1990. Case arrangement for people with a disability and frail aged in the Cumberland and Nepean regions.)

¹ The Gospel of Matthew, chapter 22 verse 39.

- ComPacks – ANGLICARE’s Compacts project has been funded by the NSW Health Department since late 2003.
- Flexible Respite Services (ADHC - DSP funded.)
- Family Integrated Respite Care (ADHC - DSP funded operating since 1997). A brokerage program providing respite options to children 0 – 18 years with a moderate to severe disability with high support needs and who have siblings less than 18 years of age.
- Adult Flexible Respite Services (DSP funded. A new service funded earlier in 2001 providing respite care for adults in the Nepean and Cumberland/Prospect Regions.)
- Support Co-ordination for Ageing Parent Carers (ADHC funded. A service for ageing carers over the age of 60 who have a child with a disability funded since 2007.)
- Brokerage Options Program – Department of Ageing, Disability and Homecare funded for 22 places to provide short-term case management, with brokerage funds to purchase services, to those aged 18 to 65 with a disability.
- Blacktown Respite Options – an ADHC funded service operating since 1996
- Young Persons Flexible Respite - an ADHC funded service operating in the Blue Mountains and Hawkesbury since 2003,
- Ageing Parents as Carers Flexible Respite – an ADHC funded service operating since 2006 in the Nepean and Cumberland Prospect areas.
- Social Support – ADHC funded. To offer people with a disability and frail aged opportunities to participate and develop social networks in their local community operating in the Cumberland, Nepean (funded since 2009), South East Sydney (funded since 1998) & Northern Sydney region (funded since 2003).
- Counselling, Support, Information and Advocacy – ADHC funded. An information service for people with a disability and the frail aged operating in the Cumberland region. Funded since 2009.

Many of these services are fully funded by government at both a Federal and State level. Others are partially funded since government funding is not sufficient to meet all operational costs and this then leads to a draw down on ANGLICARE donations and investment income. There is a small suite of initiatives that are fully funded by ANGLICARE via donations or income yielded from investments.

1.3 Purpose of this submission The Legislative Assembly Committee on Community Services has requested community feedback on the outsourcing and devolution of housing, disability and home care services from the Government to the NGO sector. This submission is to provide ANGLICARE Sydney’s response to the issues raised by the Terms of Reference of the Inquiry.

2. HISTORICAL CONTEXT

2.1 The Christian churches have had a long involvement in the history of social services in this country. ANGLICARE Sydney, in both its current and previous forms, has been involved in charitable work for some 150 years. Christians in Australia have organised themselves into faith-based charities since 1813 with the establishment of the Benevolent Society in Sydney. District nursing services followed in 1820, followed soon after by a wide range of services from maternity hospitals to palliative care.

2.2 This provision of care was largely provided by faith based agencies through several serious economic depressions. It was the post war period, and the emergence of the Welfare State that led to government recognition of the need to provide safety nets for those seriously economically and socially disadvantaged. In the UK and Europe this provision of service was largely provided through and by Government agencies. However Australian governments have generally taken the view that it

is more effective and efficient to outsource social services to the charities which are already running well established and highly effective services. However, it is also recognised that a 'hybrid' of such service provision does exist in some program areas where both government and the NFP sector provide common services.

3. CURRENT DEVELOPMENTS

3.1 It was estimated by the Productivity Commission in 2010 that the NSW Government provides over \$1.5 billion in funding annually to just under 2350 human services non-government organisations to deliver on going community-based services across NSW.²

3.2 Over the last two decades there has been a significant growth in government funded services through the NFP sector and increased reliance on this funding by the sector. Additionally, and what is most critical to the current submission, is the growth of competitive contractual and tendering arrangements with high levels of reporting and accountability and reporting based on the premise that this would promote efficiency and effectiveness in service delivery.

3.3 Under the current NSW Government there has been the transition of Out of Home Care services which are currently delivered by government, to be transferred across to the NFP sector. ANGLICARE Sydney has participated extensively in these negotiations which provide an opportunity, recognised in the recommendations of the Wood Royal Commission to improve the quality of care and outcomes for young people at risk.

3.4 There is no doubt that NFP's can provide high quality care with proven effective outcomes for people receiving such service support.

4. CURRENT INEQUITIES IN JOINT OR 'HYBRID' SERVICE PROVISION

4.1 When government and the NFP sector both operate in the same field of service delivery there are issues which disadvantage the NFP sector. One issue relates to the competition for workers in the field – where government can afford to pay higher remuneration reflecting a different resource base and source of capital compared with the NFP sector.

4.2 Further, where NFP's have to undergo a strict accreditation process, government departments delivering similar services are not so accredited or regulated.

4.3 Often these Government Departments are competing with the NFPs as service providers and at the same time monitoring the quality of the service provision of those same NFP's - creating an inherent issue of transparency and conflict of interest.

² Productivity Commission, (2010) *Contribution of the Not for Profit Sector*, Australian Government: Canberra, p 301

5. TERMS OF REFERENCE DISCUSSION

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

If the transfer of government services to the NFP sector is to be widened into other areas apart from OOHC then a number of factors need to be taken into consideration if the efficiency and equity outcomes – currently being sought by the NSW Government – are to be achieved. This relates to current processes and outcomes of government delivery of services as well as models relating to regulation and monitoring of such services. Issues for consideration are considered below.

5.1 Competitive Tendering: The current process of competitive tendering for government funded services is complex, varied, time consuming and forces NFP's to cut costs to a point where they have difficulty delivering the service within the specified budget. This underfunding was repeatedly referred to in the Productivity Commission's review of the NFP sector. Indeed almost three quarters of government departments surveyed for this review indicated that they underfunded the NFP sector on the basis that they contributed to costs rather than fully funding service delivery.³ In the last financial year this underfunding cost Anglicare \$5.9m from its own funds – both donation and investment income.

5.2 Assure fully funded service delivery: If the NSW Government is going to further outsource its service provision then it needs to establish the real cost (both financial and in kind) of service delivery and ensure that such services are fully funded. Increased efficiency should not be interpreted as reliance on the NFP sector to subsidise services or partially fund those services which governments are clearly mandated to provide. Such 'efficiency' in terms of reduced cost to government only comes in the longer term at the cost of reduced quality of care and poorer outcomes for people accessing services. In the end it will also impact the long term sustainability of the sector particularly in a declining investment market and falling donations which provide the means to fully fund care services. This issue of fully funded services was also raised by the Productivity Commission and led to a key recommendation (11.1):

... Australian governments should, in the contracting of services or other funding of external organisations, determine and transparently articulate whether they are fully funding particular services or activities undertaken by not-for-profit organisations, or only making a contribution towards the associated costs and the extent of that contribution.

Australian governments should fully fund those services that they would otherwise provide directly (allowing for co-contributions from clients and any agreed contributions by service providers). In

³ Ibid p 280

applying this criterion, governments should have regard to whether the funded activity is considered essential, as part of the social safety net or an entitlement for eligible Australians.⁴

5.3 Ensure appropriate indexation: Effective fully funded service delivery also requires that such services are fully indexed to the CPI. Currently many programs are indexed but only partially and often do not cover the increase in award wages so that ‘scope creep’ occurs and over time the NFP are forced to provide increasing contributions to these programs in order to ensure their continuity.

5.4 Improve the tendering process: Currently tenders are diverse, complex, time consuming, time limited and each tender is specific and different from every other tender – with different criteria and demands. The Government needs to streamline the process to reduce the administrative and resource burden on agencies and also provide a more equitable tender environment.

5.5 Recognise the importance of relationship as well as contractual responsibility: For service delivery to be transferred across the NFP sector there needs to be a high level of trust and confidence between government and the sector reflected in collaboration and cooperation. This requires investment of time and consistency in staff dealing with the sector. ‘Some even go so far as to suggest that in relation to human services, the tools of relational governance (such as persuasion, negotiation, collaboration and cooperation) should replace competitive market processes.’⁵

5.6 Improve the transparency of government contracts: The language of Government contracts with service providers is often confusing, as those drafting contracts are often quite divorced from service delivery issues. Government at all levels could improve their transparency in the development of these contracts and ask for feedback from the sector on any concerns about contractual conditions before contracts are finalised. The process to date has generally been that the service providers are offered a particular contract format (sometimes even without the applicable conditions) on a ‘take it or leave it’ basis.

5.7 Remove multiple contractual and reporting arrangements across departments: Every Government Department has a different funding agreement or contract with different accountability requirements. This creates issues in terms of multiple reporting and is extremely resource intensive requiring considerable commitment of staff time by the not for profit. In general, having one simplified contract with any government department (such as FRSP services) with one end date and simplified reporting requirements would be helpful. This would also reduce the auditing requirements. As the Productivity Commission has noted:

...in some cases NFPs have also been burdened with costs that should have been avoidable, reflecting the effects of poor government consultation processes and risk management, excessive compliance and reporting requirements, and overly prescriptive contracts (appendix J). These problems accentuate the tensions between a market-based approach and the characteristics and motivations of NFPs, thereby reducing some of the potential benefits to the community of these organisations delivering human and community-based services (section 12.1). Further, it is important to acknowledge that these problems can have significant ‘second round’ effects, including reducing the capacity of NFPs to make the best use of their local knowledge and flexibly respond to changing conditions and client needs.⁶

5.8 Implement a common acquittals process, with acquittals limited to the end of the contract term: The acquittals process is complex and inconsistent across programs. Regardless of the length

⁴ Ibid p290

⁵ Ibid p317/8

⁶ Ibid p314

of the contract (1-5 years) acquittals have to occur annually. If there is a surplus, which is usual in the first year with set up etc, the not for profit has to apply to retain the surplus. Sometimes it can take 6 months or more before the result of the application is made known, which then puts pressure on the not for profit to spend any surplus before the end of the next financial year. It would be administratively easier if acquittals were not required until the end of the contract period. The not for profit could still supply an annual statement for accountability.

5.9 Standardise reporting requirements for Federal and State Government departments: With different funding types there is no consistent approach between the State and Federal Government in relation to reporting service delivery outputs – the State Home and Community Care (HACC) programs are reported quarterly and the Commonwealth National Respite Carer Program (NRCP) programs are reported half yearly. HACC goes through an integrated monitoring process and the Commonwealth goes through a quality reporting process. The two processes are different in that one requires the preparation of a self assessment desktop audit and the other conducts workplace assessment. Some service providers are responsible for several programs which each include the two types of funding streams. It would be helpful, therefore, if all government departments, both Commonwealth and State, adopted a more co-ordinated approach using one monitoring process.

5.10 Provide service providers with access to their own data to avoid costly double data entry: Each government funded program has its own reporting requirement and separate database system. This requires data entry at the service end but provides minimal reporting back to the services. It is not possible to access the program data once it is entered in either the State or Federal Government database, and so a system of double entry of data is required – which is extremely time consuming and inefficient. It is therefore recommended that Government review the current data capture system for funded programs with the aim of providing maximum data access to services for their own reporting and internal evaluation purposes.

5.11 Consolidate government databases: Currently a significant amount of data is being captured by governments in various databases for various programs across the country. However there appears to be no intention to consolidate and analyse this data for high level reporting back to the sector on performance and outcomes. There is a consistent focus by government on inputs into the programs but very little reporting of outputs or outcomes back to the sector. Benchmarking and regular reviews of performance in key funding areas would be possible if such global data analysis was carried out.

5.12 Current quality assurance – is clearly mandated and monitored for current government funded programs through an intricate and often complex accreditation and acquittal system. Currently these same quality assurance protocols do not necessarily apply to government agencies delivering the same services as the NFP's.

d) Capability frameworks to ensure that community agencies are not overly burdened by regulatory constraints.

5:13 Implications of the establishment of the ACNC – The establishment of the ACNC at a federal level projected for October 2012 may well significantly change the current reporting environment for charities both at a consolidated level and for individual programs. Any transitioning process from government services across to the NFP sector needs to take into account the shifting demands being made of NFP's at the federal level.

5:14 Current regulatory constraints – A key motivation for the establishment of the ACNC has been the evidence laid before the Productivity Commission in 2009 and 2010 of the current significant regulatory compliance borne by the NFP sector. This reflects multiple and repeated reporting at different levels to different departments at different times of the year and with different requirements and criteria for such reporting. Additionally the data used for reporting for each program is often manifestly different for each State and Federally funded program which increases the complexity and the burden of reporting required for regulatory compliance.

e) Enhanced capacity building and social integration in the delivery of services for local providers.

5:15 Enhanced capacity building of the sector: The Productivity Commission recommendations in 2010 hinged not just on improved regulation of the NFP sector but also enhanced capacity building. Core to many of its recommendations were the establishment of a Centre for Community Service Effectiveness, to promote best practice approaches to evaluation, and an Office for Not-for-Profit Sector Engagement. This capacity building and reform agenda is not recognised in the current Treasury Discussion papers at the federal level on the establishment of the ACNC - as the focus appears to be almost purely regulatory. ANGLICARE Sydney would endorse any State Government initiatives in the transfer of government services to the NFP sector which would enhance the capacity of the sector to deliver services with effective outcomes for clients. Improvements in information flows across the sector, increased funding for evaluation and development of best practice and action research, support for the development of professional networks, increased access to affordable workforce training funding for piloting innovative approaches to service delivery and development of improved referral pathways would all make a significant contribution to building such capacity.

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

5:16 The Productivity Commission in its 2010 report on the *Contribution of the Not for Profit Sector* identified that the social and community services (SACS) sector is comprised largely (90%) of not-for-profit agencies which make a considerable contribution to the social cohesion and inclusiveness in Australian communities and the welfare of society's most vulnerable individuals. It also noted that 85% of the community services sector which operates on an award is female⁷.

5:17 ANGLICARE Sydney has a predominantly female work force with a ratio of 85% women, a reflection that caring services are often delivered by women, though not exclusively so. However it should be noted that regardless of gender, there is significant social and economic significance in the caring work of the NFP sector and this needs to be appropriately valued. Such care work is highly labour intensive and often time intensive, depending on the nature and level of care required. The well documented ageing of the population will have a dual effect of increasing the demand for

⁷ Productivity Commission, (2010), *The Contribution of the Not for Profit Sector*, Australian Government publication.

community services while at the same time reducing the supply of skilled care workers, making the viability and sustainability of the sector an issue.

5:18 This supply and demand issue is coupled with a continued underfunding of community services by all governments where annual increases to programs are generally below that of CPI. There is thus an expectation by governments that not-for-profit agencies will supplement the shortfall from within their own resources – generally donations and/or any investment income.

5:19 It is evident from the recent fair Work Australia ruling that there is not equal remuneration for work of equal or comparable value when compared with employees in the government sector. This disparity has caused significant resourcing issues in the sector – particularly in relation to aged care. This is impacting the long term sustainability of those programs which provide support to low income, materially deprived, socially excluded and disadvantaged Australians. The sector is poorly paid largely because of the competitive tendering arrangements in place which force organisations to work to minimum budgets in order to secure tenders. Care workers are currently underfunded for the work they are doing in comparison to government employees. ANGLICARE supports endeavours to achieve equal remuneration but is mindful of the implications that such significant wage increases will have on service delivery if such increases are not underwritten by the relevant funding bodies.

5:20 Given that this is a service sector and the largest component of expenditure is wages and salaries, any significant increase in wages costs will adversely impact the capacity of the sector to sustain current levels of service delivery. Unfunded increases in wages for the workers on the Modern Award will result in the loss of jobs, loss of hours for casualised and part time staff and the reduction of staff in a number of work teams. This not only impacts those that lose jobs but for those remaining it has adverse effects on morale and productivity. Reduction of staffing also on the skills base of teams which will have a detrimental flow on effect to the quality of care and support available to those in need. Undoubtedly it will also mean cut backs in service delivery leading to inability to deliver services and/or long waiting lists. Both scenarios lead to stress for staff and clients as needs go unmet.

5:21 Implementation of wages parity will require supplementation of government funded programs to the extent of that increase across both Federal and State spheres. If parity is to be achieved then the complexity of the current government funding arrangements for community services needs to be recognised. This will require a consistent and uniform approach across both State and Federal spheres in application of such remuneration. Without such an approach there will be both disparity and inequity. A consistent approach will require the input and engagement of all levels of government and a willingness to underwrite such wage increases for the community programs they currently fund.

5:22 Therefore any programs which are transferred from government to the NFP sector require funding contracts to be sufficiently flexible to provide increased funding over the life of the contract if non CPI award wages are to be implemented. Governments need to recognise that this is not a productivity issue but an issue which relates to prolonged underfunding and undervaluing of care work. Any increase in wages needs to reflect an approach to parity not require increased outputs from an already overstretched and under-resourced sector.

7. RECOMMENDATIONS

In the further transfer of government delivered services to the NFP sector the following is recommended for the State Government:

1. Establish the full cost of service delivery and ensure that NFP's are fully funded to deliver the services - so that cost shifting without adequate compensation from the government to the sector for services which government is mandated to deliver, does not occur.
2. Ensure appropriate indexation of funding to support the outsourcing of government services.
3. Streamline the current tendering process to reduce the administrative and resource burden on agencies and ensure a more equitable tender environment.
4. Recognise the importance of building trust and confidence with sector.
5. Improve the language and transparency of government contracts.
6. Remove multiple contractual and reporting arrangements across departments.
7. Implement a common acquittals process with acquittals limited to the end of the contract term.
8. Collaborate with Federal Government departments to standardise reporting requirements
9. Improve access of the NFP sector to their own data supplied to government departments.
10. Enhance the capacity of the sector by improvements in information flows across the sector, increased funding for evaluation and development of best practice and action research, support for the development of professional networks, increased access to affordable workforce training funding for piloting innovative approaches to service delivery and development of improved referral pathways would all make a significant contribution to building such capacity.
11. Ensure that the State Government fully funds the expected increases in the award rate across the NFP sector as a result of the Fair Work Australia decision for all programs to which it is currently contracted.
12. Programs which are transferred from government to the NFP sector require funding contracts to be sufficiently flexible to provide increased funding over the life of the contract if non CPI award wages are to be implemented. Any increase in wages needs to reflect an approach to parity not require increased outputs from an already overstretched and under resourced sector.

8. CONCLUSION

ANGLICARE Sydney appreciates the opportunity to provide feedback to the Inquiry and looks forward to being able to make further contributions through the consultation process.

Grant Millard



Chief Executive Officer

ANGLICARE Sydney

